Province of
Newfoundland and Labrador

Public Accounts Volume I
Consolidated Summary Financial Statements

FOR THE YEAR ENDED
MARCH 31, 2014

Newfoundland
Labrador

Province of Newfoundland and Labrador

Public Accounts

Volume I

Consolidated Summary Financial Statements

For The Year Ended 31 March 2014

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INTRODUCTION

Volume I of the Public Accounts presents the consolidated summary financial statements of the Province of Newfoundland and Labrador. These statements are preceded by a report which discusses and analyzes the information contained within the summary financial statements. The report, entitled **Understanding the Financial Health of the Province of Newfoundland and Labrador**, provides a narrative review of the financial performance of the Province along with illustrations of key figures and relationships. This financial statement discussion and analysis, in conjunction with the consolidated summary financial statements, provides additional information for users of the Provinces' summary statements.

The consolidated summary financial statements combine the financial statements of the Consolidated Revenue Fund with the financial statements of various Crown Corporations, Boards and Authorities, as approved by Treasury Board, which are controlled by the Government of Newfoundland and Labrador. These organizations are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the Legislature.

These statements are prepared on the accrual basis of accounting in accordance with the Public Sector Accounting Board (PSAB) standards of the Chartered Professional Accountants of Canada, and as outlined in the significant accounting policies of the Province. They are prepared by the Comptroller General of Finance and are audited by the Auditor General. Budget figures, where available, are provided on several statements for comparison purposes.

The Public Accounts for the year ended 31 March 2014 also includes another volume, Volume II – Consolidated Revenue Fund Financial Statements. It presents the financial position of the Fund and the results of its activities.

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for 2013-14 was released in June 2014 and presents expenditures and revenues using the modified cash basis of accounting. This is the same basis used to prepare the budgeted appropriations and revenues as per the Estimates. Another report containing a reproduction of the available financial statements of the Crown Corporations, Boards and Authorities was released as a separate report in the Fall of 2014. These reports are available online at the address noted below.

The Public Accounts of the Province are tabled in the House of Assembly in accordance with Section 60 of the *Financial Administration Act*.

Internet Address

The Public Accounts are available on the Internet at:
http://www.fin.gov.nl.ca/fin/public_accounts/index.html

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UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

I hereby present the financial statements of the province, the Public Accounts for the 2013-14 fiscal year. To provide further information and transparency on the financial position of Newfoundland and Labrador, the audited financial statements are preceded by a discussion and analysis which highlights the fiscal health of the province.

The province reported a deficit for the 2013-14 fiscal year of $388.6 million, which is less than the original forecasted deficit of $563.8 million for 2013-14. The decrease of $175.2 million from our original forecast is primarily the result of lower than anticipated expenditures during the year and slightly higher than anticipated revenues.

The province continued to remain strong in economic growth in 2013-14 amidst a modestly improving global economy. Capital investment, along with strong gains in exports and consumption, have driven this growth. We must continue to grow our economy responsibly as the global economic environment is still facing risk and uncertainty to which we are not immune. We must also maintain a balanced outlook to ensure sustainability over time for continued economic and social prosperity.

The province's strong fiscal management practices have allowed us to achieve an excellent provincial credit rating. We have also made improvements in managing the level of debt in recent years and continue to do so with the recently announced pension reform. The challenge faced by the province now is to manage a sustainable level of expenses, while ensuring fairness to residents, and also ensuring responsible investment in a competitive tax system. The continued investment in infrastructure as well as in our abundant resources such as hydro, oil and gas, minerals, agriculture and forestry encourages the development of innovative industries which strengthen the business environment and support long-term fiscal stability.

ROSS WISEMAN
MINISTER OF FINANCE AND
PRESIDENT OF TREASURY BOARD

9 October 2014

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FINANCIAL REPORTS

Information on the financial picture of the Province can be obtained from the Public Accounts and the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund.

The Public Accounts consists of two volumes. These include:

Volume I: Consolidated Summary Financial Statements

- These are the combined audited financial statements of the Consolidated Revenue Fund (all departments) and government organizations (including Health and School Boards) which are controlled by and therefore accountable to Government.
- These statements present the consolidated financial position of the Province on an accrual basis, in accordance with the accounting standards established for governments by Chartered Professional Accountants of Canada (CPA).
- The consolidated summary (accrual) deficit for the year ended 31 March 2014 as presented in Volume I is $388.6 million; net debt is $9.1 billion; and accumulated deficit is $4.9 billion.

Volume II: Consolidated Revenue Fund (CRF) Financial Statements

- These are the audited financial statements of the Consolidated Revenue Fund (all departments) on an accrual basis.
- The CRF (accrual) deficit for the year ended 31 March 2014 as presented in Volume II is $562.1 million; net debt is $9.4 billion; and accumulated deficit is $6.9 billion.

The Auditor General issued an unqualified audit opinion on both volumes of the 2013-14 Public Accounts.

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund presents the actual overall budgetary contribution (requirement) of the Consolidated Revenue Fund as at 31 March 2014.

- This report is prepared using the modified cash basis of accounting and is not subject to an audit opinion.
- The budgetary requirement of $457.0 million for the year ended 31 March 2014 is comprised of a current account financial contribution of $590.2 million offset by a capital account financial requirement of $1,047.2 million.

The Public Accounts, the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund, and the Financial Statements of Crown Corporations, Boards and Authorities can be found on the Government's website at:

www.fin.gov.nl.ca/fin/public_accounts/index.html

Copies of all volumes of the Public Accounts and the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund can be obtained at the Queen's Printer, Confederation Building. In addition, a general reconciliation from the modified cash basis of accounting to accrual based accounting can be made available by contacting the Public Accounts and Banking Services Section of the Department of Finance.

FINANCIAL DISCUSSION AND ANALYSIS REPORT

The inclusion of this report, a financial discussion and analysis of the Public Accounts, is a practice recommended by the Public Sector Accounting Board of Chartered Professional Accountants of Canada. The Public Sector Accounting Board sets the accounting standards for Canadian senior governments.

Information provided in this report will focus on the consolidated summary financial statements of the Province. Throughout this report, any reference to a particular year means the fiscal year ended in that year. For example, reference to 2014 means the fiscal year ended 31 March 2014.

GLOSSARY OF TERMS

To assist in understanding the discussion and analysis to follow in this report, definitions of the various terms used are provided below:

Accrual Basis:	A method of accounting whereby revenues are recorded when earned and expenses are recorded when liabilities are incurred.
Accumulated Deficit:	Liabilities less total assets. This equals the net accumulation of all annual surpluses and deficits experienced by the Province.
Annual Surplus/ (Deficit):	The excess of annual revenues (expenses) over annual expense (revenues).
Budgetary Contribution/ (Requirement):	The difference between revenues and expenditure cash flows of the Consolidated Revenue Fund generated as a result of the operations of government departments during the year.
Cash Basis:	A method of accounting whereby revenues are recorded when received and expenditures are recorded when paid.
Deferred Revenue:	Represents funding received in advance of revenue recognition criteria being met.
Financial Assets:	Assets (such as cash, receivables and investments) to be used to reduce existing or future liabilities.
GDP:	Gross Domestic Product (at market prices) of the Province.
Interest Cost:	Interest on the Province's debt (e.g. borrowings, unfunded pension liability), as well as, other debt related expenses.
Net Borrowings:	Total borrowings (debentures, treasury bills, etc.) less sinking funds. Also referred to as Provincial debt in this report.
Net Debt:	Liabilities less financial assets.
Non-Financial Assets:	Assets consumed in the delivery of government services, but not intended to reduce existing or future liabilities. Non-financial assets are primarily comprised of tangible capital assets.

Tangible Capital Assets:	Non-financial assets which are held for use in the production or supply of goods and services and have useful economic lives extending beyond an accounting period. Examples include buildings, roads, infrastructure, marine vessels, heavy equipment and machinery.
Unfunded Pension Liability:	The total unpaid pension benefits earned by existing/former employees and retirees less the value of assets set aside to fund the benefits.

CONSOLIDATED ACCRUAL RESULT

Compared to Previous Year

The difference between the annual deficit of $388.6 million for 2014 and the annual deficit of $195.0 million for 2013 is approximately $193.6 million. While additional variance analysis on the changes in revenue and expense are included later in this report, the following provides a summary of what has contributed to these changes. This increase in annual deficit can be attributed to an increase in total expenses of approximately $175.6 million in addition to a decrease in total revenues of $18.0 million.

The increase in total expenses of $175.6 million from 2013 to 2014 can be attributed to increases experienced in the following types of expenses:

- $71.2 million increase in debt expenses due to an increase in interest expense on the growing unfunded pension liabilities in both the Consolidated Revenue Fund and Memorial University due to changes in actuarial assumptions for mortality rates, discount rates and retirement age;
- $48.9 million increase in amortization expenses and (gain)/loss on disposal of tangible capital assets due to the timing and status of capital projects which created additions to capital assets;
- $48.1 million increase in salaries and employee benefits primarily due to increased retirement costs due to a higher rate of retirement this year;
- $28.9 million increase in operating costs due to increased quantity and cost of purchased services relating to advancements in active school facility projects, as well as, increased operating expenses in the Province's health authorities due to increased use of health services. Furthermore, Memorial University experienced higher utility costs associated with new infrastructure;
- $25.4 million net increase in other various expenses.

These increases in expenses are mitigated partially by the following decreases:

- $24.6 million decrease in professional services due to project delays primarily associated with information technology initiatives, as well as, a lower take up of programs requiring professional services such as the Adult Dental Program after a cap on basic services was introduced. Furthermore, one-time professional service expenses relating to core mandate and spend analysis initiatives, as well as, RCMP compensation were incurred in 2013 and did not reoccur in 2014;
- $22.3 million decrease in grants and subsidies primarily due to reduced program payments associated with the transition from a Federal common system for grants and contributions to a Provincial system in the department of Advanced Education and Skills.

The decrease in total revenues of approximately $18.0 million from 2013 to 2014 can be attributed to the following revenue sources:

- $408.8 million decrease in corporate income tax mainly due to a change in prior year adjustments for corporate tax receivable to the Province;
- $84.0 million decrease in Federal cost-shared programs including Federal/Provincial infrastructure programs and disaster assistance programs, largely due to delays in capital projects that receive Federal funding, as well as, delays in the timing of receipt of Federal claims due to the Federal auditing process;
- $34.0 million decrease in sales tax primarily due to a change in prior year adjustments for sales tax receivable to the Province;
- $3.7 million net decrease in other Provincial revenues.

These decreases in revenues are partially offset by the following increases:

- $297.6 million increase in offshore royalties as a result of an increase in production;
- $112.2 million increase in Federal revenue comprised of a $100.3 million increase in Canada health and social transfers due to upward revisions to population and a $11.9 million increase in other Federal revenue;
- $63.2 million increase in personal income tax due to growth in personal income and thus a stronger tax base;
- $24.5 million increase in mining and mineral rights tax due to increased production and prices resulting in increased values of mineral shipments which translate into higher mining revenues;
- $15.0 million increase in gasoline tax due to higher consumption.

Furthermore:

- It is important to note that due to a change in accounting treatment of the Atlantic Lottery Corporation, net income for the corporation has been reclassified as Net Income of Government Business Enterprises and Partnership instead of as Investment Income as it was reported in the previous year. The resulting variances which remain in these categories after taking this reclassification into account are individually not material to this discussion and have been included in the net decrease of "other Provincial revenues" as described above.

Compared to Original Budget (Accrual)

The budgeted annual deficit of $563.8 million as per the 2013-14 Budget Speech and the actual annual deficit of $388.6 million differs by approximately $175.2 million. This difference can be attributed to an increase in total revenues of $12.1 million combined with a decrease in total expenses of $163.1 million.

The increase in total revenues of $12.1 million from the original budget can be attributed to the following revenue sources:

- $108.6 million increase in personal income tax due to greater growth in personal income than anticipated, as well as, a $36.4 million increase in other various tax revenues. This was partially offset by a $71.6 million decrease in mining and mineral rights tax due to decreased values of mineral shipments, as well as, the timing of recognition of mining tax revenue, a $38.5 million decrease in sales tax revenue due to lower consumer expenditure growth and a $34.9 million decrease in corporate income tax due to lower corporate profits. Furthermore, it should be noted that due to the adoption of accounting standard PS 3510, tax transfers (such as the seniors credit, child tax benefit, etc.) must now be recorded separately as an expense rather than netted against tax revenue. While this reclassification of tax transfers has an overall nil effect on the annual surplus (deficit) of the Province, it does contribute to the variance observed in taxation revenue between original budget and actual because use of accounting standards is not a requirement of the budgeting process and thus the original budget comparative figure would have netted the tax transfers against tax revenue;
- Offshore royalty revenue, compared to the original budget, increased by $34.5 million primarily due to a higher than expected oil price and a more favorable exchange rate;

- Other Provincial revenues (including fees & fines) increased by $84.3 million. The increase was mainly due to the receipt of insurance proceeds, trust fund proceeds, as well as, revenues related to exploration licenses in the Offshore Revenue Fund. Additionally, increased revenues were received pertaining to the sale of land, vehicle levy revenue due to more vehicles being driven and insured in the Province, and there was an increase in Arts and Culture Centre events generating increased revenue from ticket sales;

- $106.7 million overall decrease in Federal revenue due to delays in the commencement and completion of capital projects which receive Federal funding (primarily road construction projects), as well as, less claims under the disaster assistance program. Furthermore, there were generally delays in the receipt of Federal claims across many government departments due to the Federal auditing process.

The difference in total expenses of $163.1 million from the original budget can be primarily attributed to the following types of expenses:

- $152.9 million decrease, compared to the original budget, in operating costs due to decreases in purchased services related to capital projects (due to delays in capital projects), primarily in the departments of Education, Health and Community Services and Transportation and Works;

- $48.5 million decrease in salaries and benefits from the original budget (despite the increase in salaries and benefits from the previous year) primarily due to less severance payments than anticipated;

- $18.3 million decrease in professional services due to reduced need to hire consultants for capital projects due to delays in capital projects;

- $32.1 million increase in grants and subsidies, however, the increase is caused primarily by the adoption of accounting standard PS 3510 in which tax transfers (such as the seniors credit, child tax benefit, etc.) must now be recorded separately as an expense rather than netted against tax revenue. While this reclassification has an overall nil effect on the annual surplus (deficit) of the Province, it does contribute to the variance observed in grants and subsidies between original budget and actual because use of accounting standards is not a requirement of the budgeting process and thus the original budget comparative figure for grants and subsidies would not have included these tax transfer expenses;

- $18.4 million increase in debt expenses due to a weaker Canadian dollar than anticipated, as well as, higher interest expense than anticipated on pension liabilities;

- $6.1 million net increase in other various expenses.

CASH FLOW ANALYSIS

The Province records its transactions on an accrual basis in accordance with generally accepted accounting principles, the timing of which may vary from when actual cash is paid or received. In 2014, the Province's overall net cash outflow was $387.8 million. As detailed in the following chart, there was a net cash outflow of $472.1 million in the previous year, which resulted in a difference in cash flow of approximately $84.4 million between 2013 and 2014.

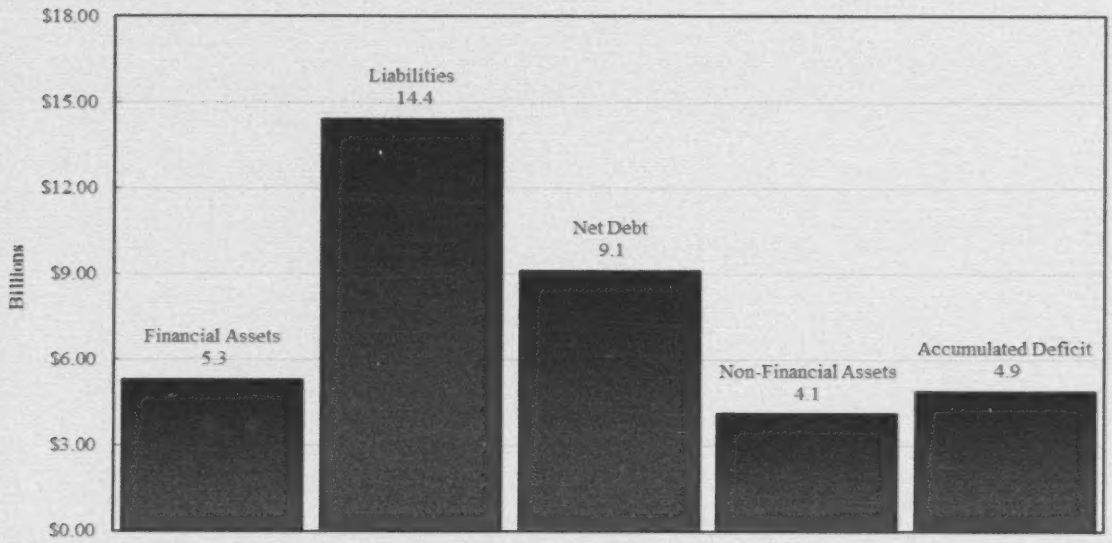
Cash Flow by Category	2014	2013	Difference
	($000's)	*($000's)*	*($000's)*
Operating	739,402	700,712	38,690
Capital	(537,407)	(521,029)	(16,378)
Financing	(118,878)	(419,317)	300,439
Investing	(470,883)	(232,509)	(238,374)
Net Inflows (Outflows) of Cash	(387,766)	(472,143)	84,377

The change in cash flows was primarily driven by reduced cash outflow in Financing activities partially offset by increased cash outflow in Investing activities.

Although the annual deficit was larger in 2014, there was an overall reduction in cash outflows in Financing activities primarily due to the special payments that were made to reduce the pension liability in 2013. Additionally, there were greater proceeds received on sinking funds this year offset partially by the retirement of debt. There was increased cash outflow in Investing activities due to additional investments in Government Business Enterprises and Partnerships. For further details, please refer to the 'Consolidated Accrual Result' and 'Highlights – Financial Operations' sections of this report, as well as, the 'Statement of Operations' and the 'Statement of Cash Flows' in the Consolidated Summary Financial Statements.

HIGHLIGHTS – FINANCIAL POSITION

The Province's financial position as at 31 March 2014 is presented in the following chart. As depicted in the chart, the Province's net debt totals $9.1 billion. The net debt is comprised of the difference between total financial assets of $5.3 billion and liabilities of $14.4 billion. The Province's net debt, less non-financial assets of $4.1 billion, results in an accumulated deficit of $4.9 billion. Net debt and accumulated deficit are comprised of the following components:



($ billions)	2014	2013	2012	2011	2010
Borrowings (net of sinking funds)	5.07	5.15	5.30	5.70	6.01
Unfunded Pension Liability	3.91	3.27	3.09	2.67	2.18
Group Health and Life Insurance Retirement Benefits	2.55	2.32	2.08	1.91	1.77
Other Liabilities	2.82	2.73	2.89	2.95	2.60
Less: Total Financial Assets	(5.27)	(5.12)	(5.53)	(4.97)	(4.34)
Net Debt	9.08	8.35	7.83	8.26	8.22
Less: Tangible Capital Assets	(4.05)	(3.83)	(3.49)	(3.11)	(2.61)
Less: Other Non-financial Assets	(0.09)	(0.09)	(0.09)	(0.10)	(0.09)
Accumulated Deficit	4.94	4.43	4.25	5.05	5.52

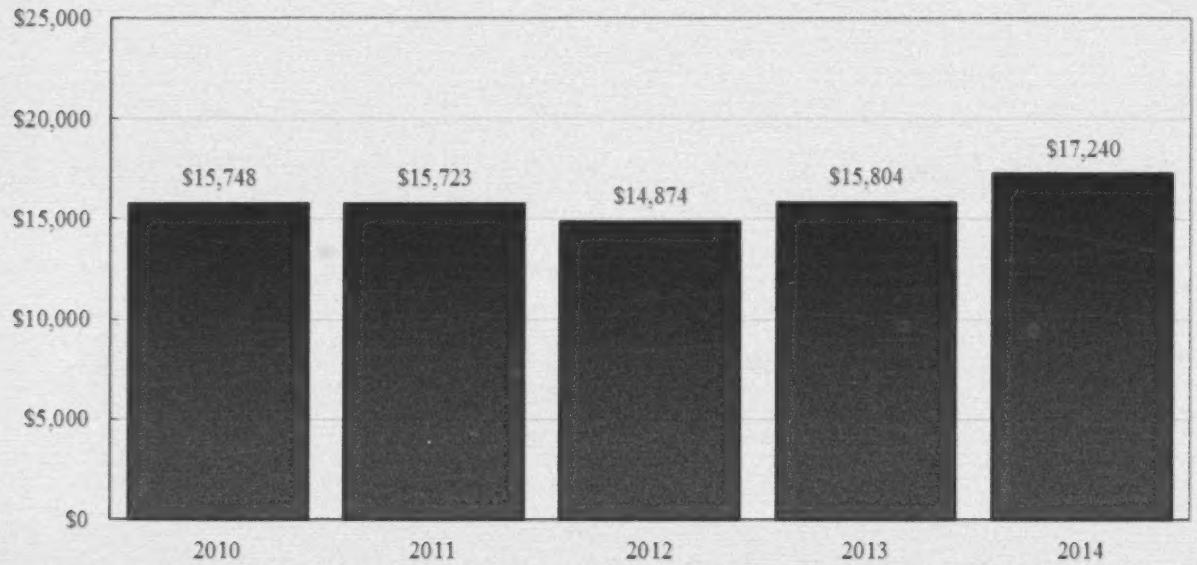
As seen in the previous table, accumulated deficit has mainly declined from 2010 to 2014 while net debt has increased. This can be attributed to combined surpluses in 2011 and 2012 of approximately $1.5 billion partially offset by combined deficits in 2010, 2013 and 2014 of $0.5 billion. Net debt has increased in 2014, primarily due to the growing unfunded pension liability, as well as, group health and life insurance retirement benefits.

Net Debt and Net Borrowing

For the fiscal year ended 31 March 2014, net debt of $9.1 billion included net borrowings of $5.1 billion. Net debt for the fiscal year ended 31 March 2014 increased from the previous year by $737.2 million and net borrowings decreased by $82.2 million.

a) *Net Debt per Capita*

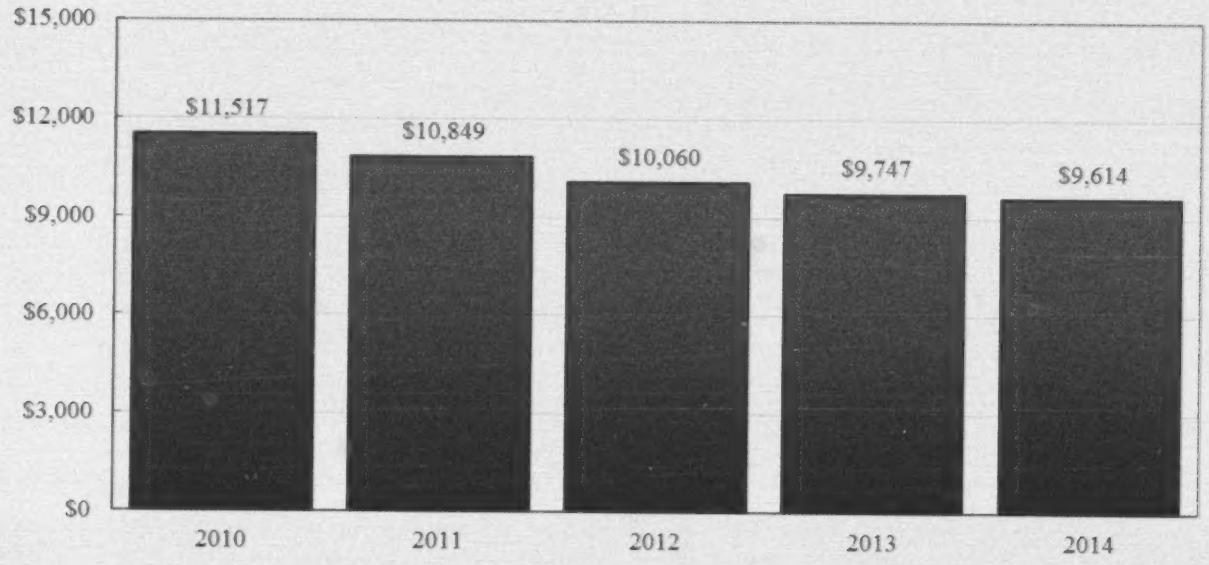
Net debt per capita indicates the average amount of the Province's net debt owing by each citizen of the Province and is calculated by dividing the net debt by the Province's population. Each citizen's share of the net debt increased in 2014. As presented in the chart that follows, it increased from $15,804 in 2013 to $17,240 in 2014. This increase of $1,436 per person is a result of the previously noted increase in the Province's net debt.



Previous year's numbers have been revised to reflect most recent information available on the Province's population.

b) *Net Borrowings per Capita*

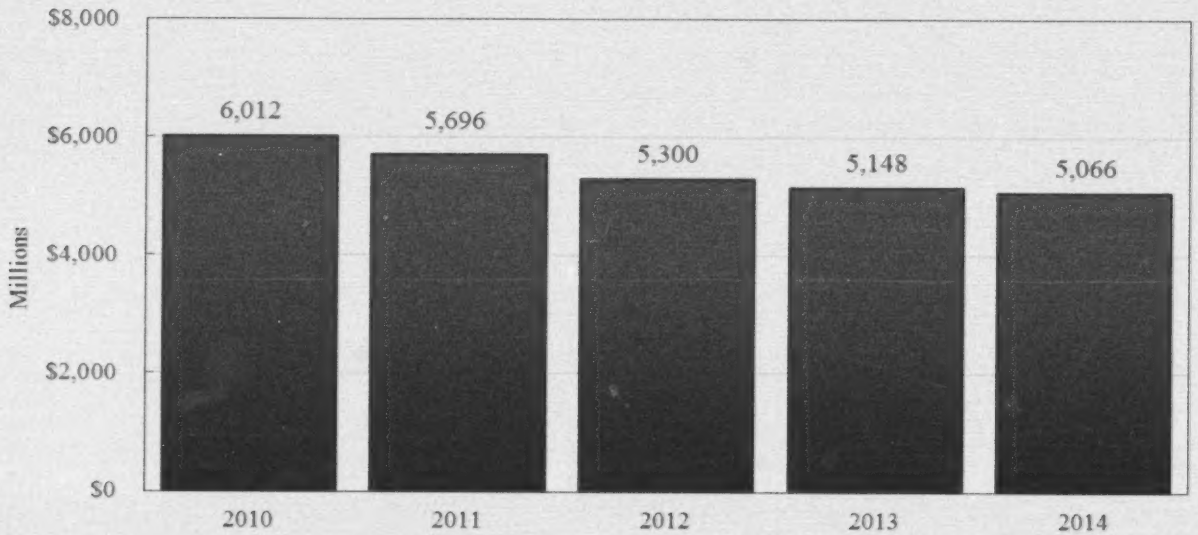
Net borrowings per capita indicates the average amount of Provincial debt owing by each citizen of the Province and is calculated by dividing the net borrowings of the Province by its population. A decrease in net borrowings in 2014 has resulted in a decrease in net borrowings per capita of $133 since 2013. The net borrowings per capita are presented in the following chart.



Previous year's numbers have been revised to reflect the most recent information available on the Province's population.

c) *Net Borrowings - 5 Year Comparison*

As presented in the following chart, net borrowings of the Province decreased in 2014 by $82.2 million. Net borrowings of $4,758.6 million of the Consolidated Revenue Fund represented the most significant amount of the total net borrowings at 93.9%.

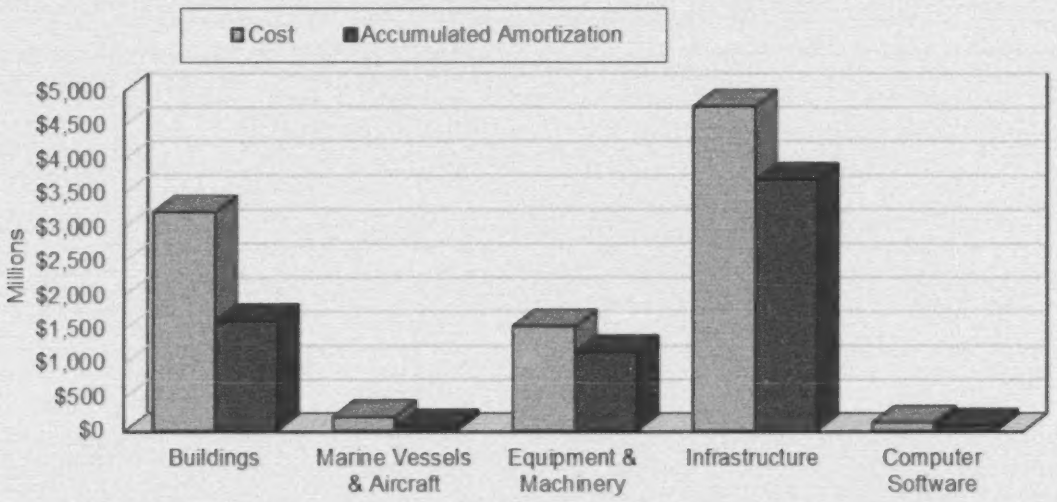


Non-Financial Assets

The total non-financial assets of $4.1 billion in 2014 included prepaid and deferred charges of $45.8 million, inventory of supplies of $46.9 million and tangible capital assets, the most significant component, of $4.06 billion. The net book value of the tangible capital assets increased by $231.3 million from 2013. Analysis of the information in the consolidated summary financial statements related to tangible capital assets follows:

- The increase in net book value of tangible capital assets is the result of acquisitions of $562.2 million in the current year that more than offset disposals and net accumulated amortization;
- Accumulated amortization of tangible capital assets represents 62.0% of the cost of tangible capital assets, which is a slight decrease from 62.5% in 2013. The most significant of the asset categories that are amortized are infrastructure and equipment and machinery where 77.4% and 75.4% of the original cost has been amortized respectively;
- Work in progress assets consist of $832.4 million as at 31 March 2014 which is a $139.3 million or 20.1% increase from 2013. Work in progress is considered to be a tangible capital asset; however, it is not subject to amortization as it is not currently available for use.

The following chart shows the tangible capital asset cost (excluding work in progress) and accumulated amortization by category at 31 March 2014.

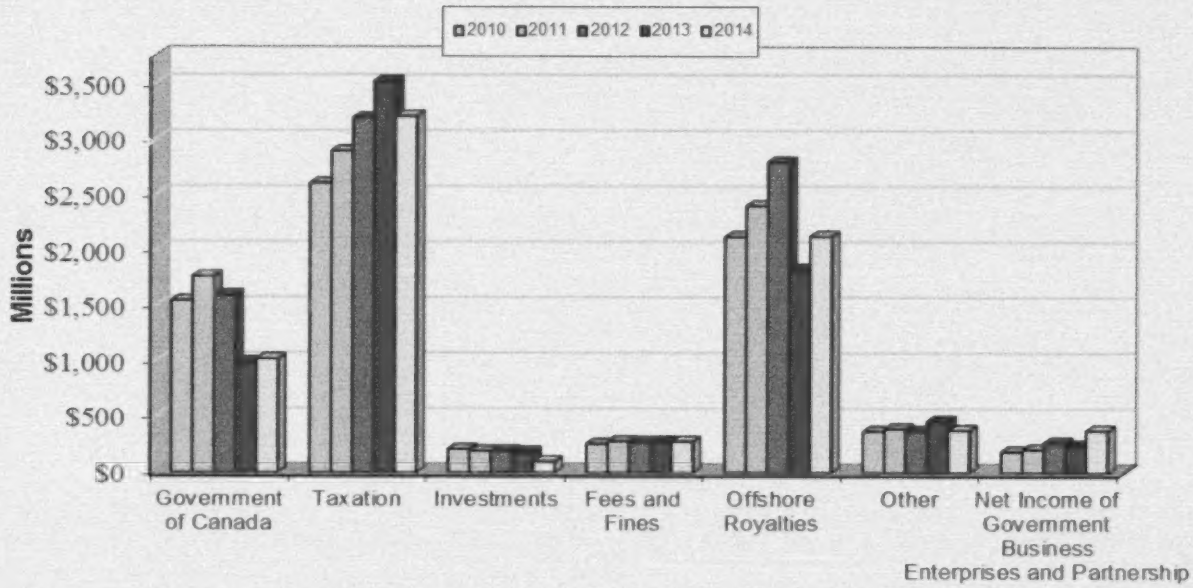


HIGHLIGHTS - FINANCIAL OPERATIONS

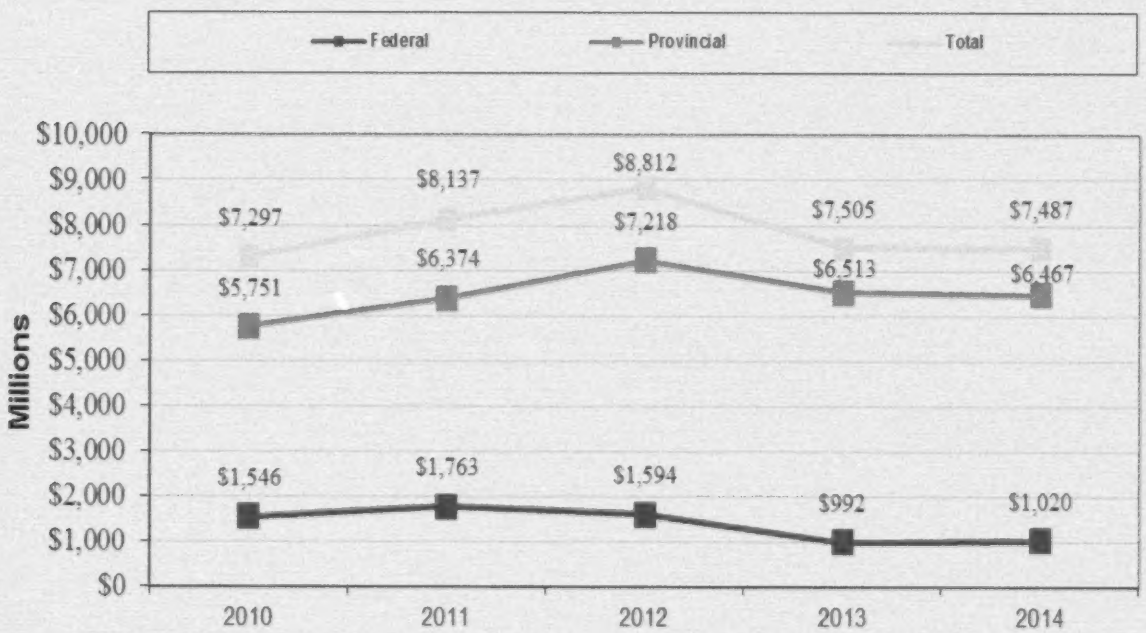
Revenues

Revenues for 2014 totaled $7.5 billion. Provincial revenue sources accounted for 86.4% of this total, which decreased by 0.4% compared to 2013. The remaining 13.6% is derived from Federal Government sources. Details on the sources of revenues, including five-year historical comparisons, are provided in the following charts and graphs.

a) Revenues by Source - 5 Year Comparison



b) Total Revenues - 5 Year Comparison



From an analysis of the previous charts and the information presented in the consolidated summary financial statements, the following observations can be made:

- Total revenues remained relatively consistent in 2014 by decreasing slightly from 2013 by $18.0 million.
- Total Provincial revenues decreased in 2014 by $46.2 million, again, remaining relatively consistent with 2013.
- Federal revenue sources have increased by approximately $28.2 million from 2013. Despite this slight increase in 2014, since 2010, Federal revenues have decreased by $525.1 million indicating that the Province has become more self-reliant.

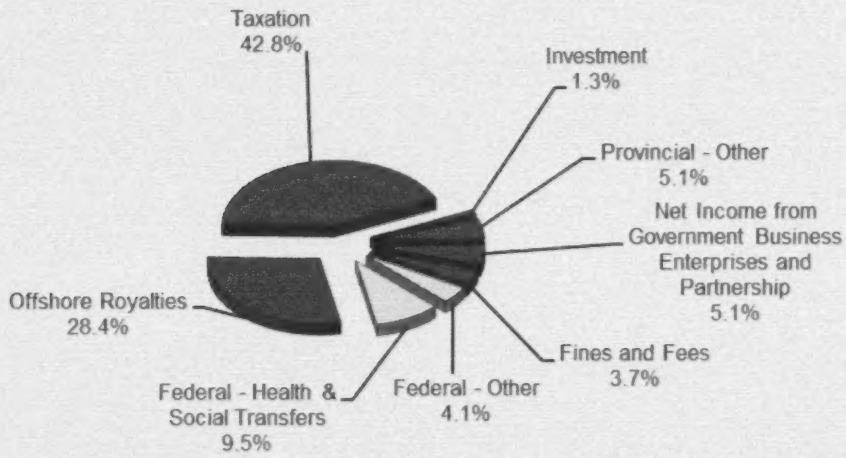
c) *Revenues by Source*

The most significant changes in revenues by source between 2013 and 2014 arise from taxation revenues, offshore royalties and net income from government business enterprises and partnership.

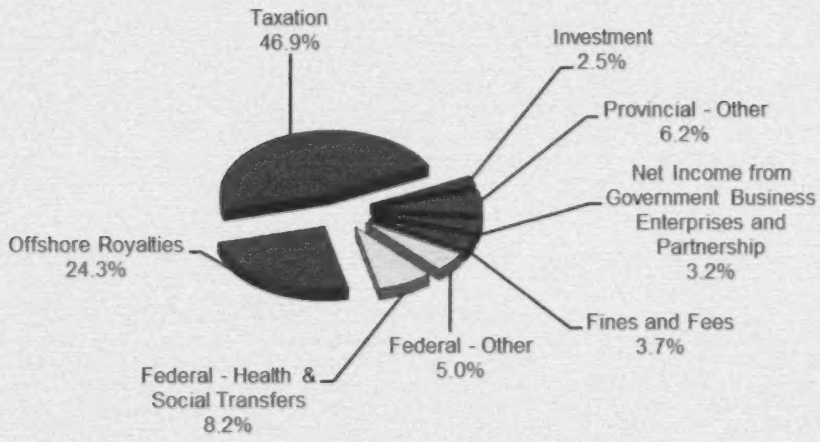
- Taxation revenues were $315.9 million lower in 2014 in comparison to 2013 primarily due to a decrease of $408.8 million in corporate income tax and a decrease of $34.0 million in sales tax, offset partially by an increase of $63.2 million in personal income tax. The decrease in corporate income tax and sales tax is primarily due to significant change in the adjustments for prior year payments. The increase in personal income tax is attributable to growth in personal income. In addition, there is an increase of $39.2 million in gasoline and other tax revenues, as well as, an increase of $24.5 million in mining and mineral rights tax due to an increase in total volume and value of mineral shipments.
- Offshore royalties were $297.6 million higher in 2014 than in 2013. This increase is the result of an increase in production, triggering higher royalty rates. The volatility of oil prices continues to create uncertainty regarding the sustainability of this non-renewable revenue source.
- Net income of government business enterprises and partnership increased by $137.8 million, however, this is primarily due to the reclassification of net income from the Atlantic Lottery Corporation. It had been previously included in investment income.

The following graphs display the revenues by source as a percentage of total revenues for 2014 and 2013.

Revenues by Source - 2014



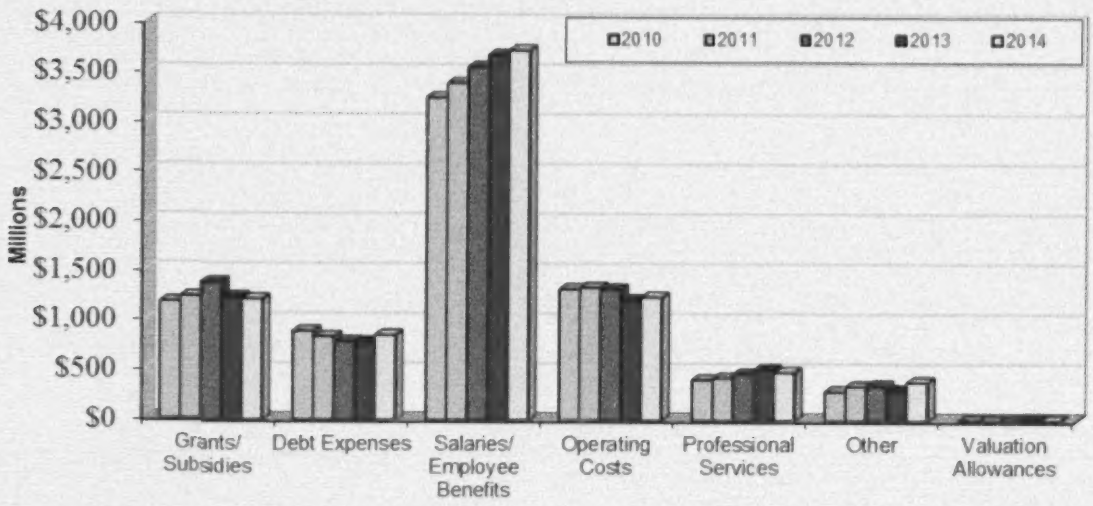
Revenues by Source - 2013



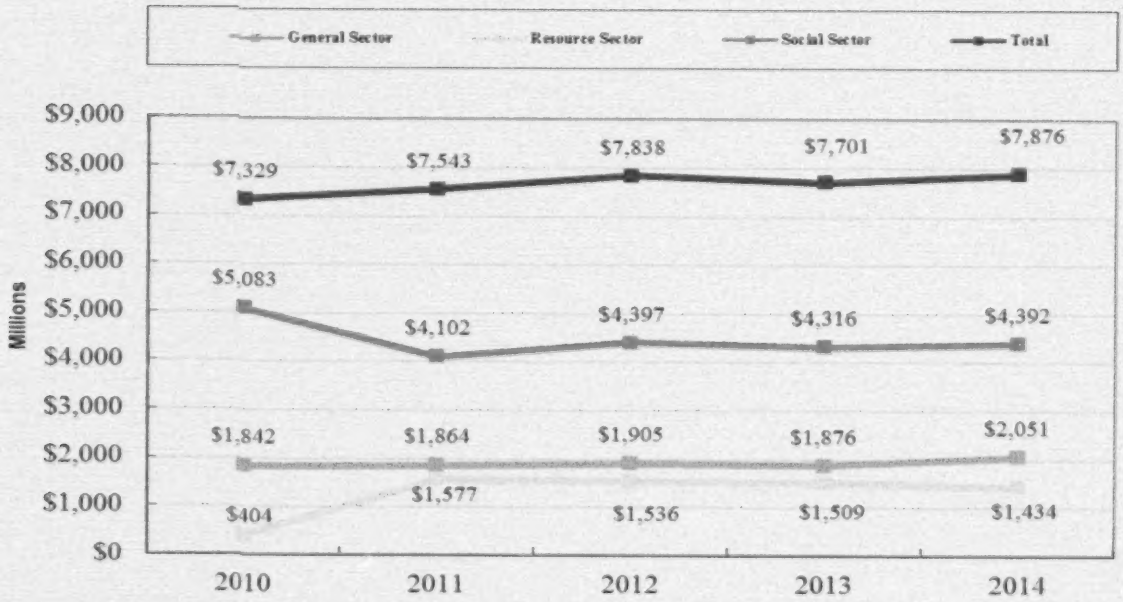
Expenses

The total expenses incurred by the Province for 2014 amounted to $7.9 billion. The following charts and discussion analyze the nature of these expenses by category and sector. In the discussion of expenses by category, it should be noted that the 'Other' category represents minor capital property acquisitions, as well as, amortization and loss on sale relating to tangible capital assets.

a) *Expenses by Major Category - 5 Year Comparison*



b) *Expenses by Sector - 5 Year Comparison*



From an analysis of the previous charts and the information presented in the consolidated summary financial statements, the following observations can be made:

- In the past five years, total expenses of the Province have grown by $0.5 billion. The largest growth occurred between 2011 and 2012 at an amount of $0.3 billion.
- Salaries and employee benefits remain the Province's most significant expense, rising steadily over the past five years from $3.2 billion in 2010 to $3.7 billion in 2014.
- Operating costs and grants and subsidies are the next most significant expenses, representing 15.7% and 15.4% of the total expenses for 2014 respectively. This is relatively consistent with 2013 levels in which operating costs and grants and subsidies represented 15.7% and 16.0% of the total respectively.
- Expenses for the social sector were the most significant portion of total expenses by sector in the past five years. This sector's expenses in 2014 were approximately $4.39 billion, an increase of $76.4 million from 2013, accounting for 55.8% of the total expenses for the year.

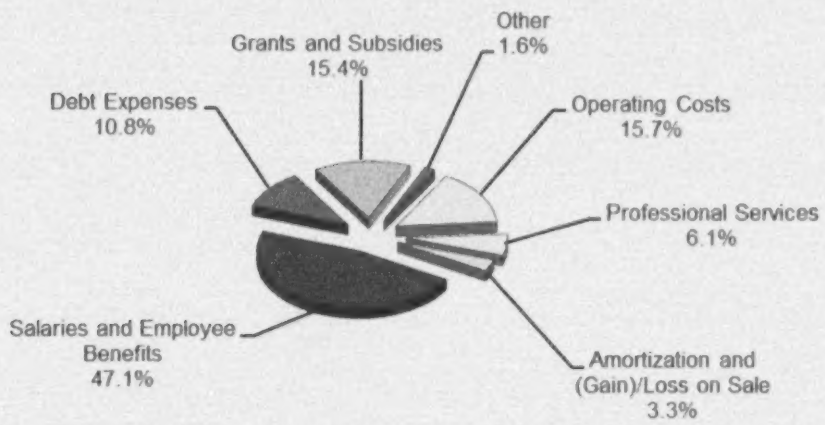
c) *Expenses by Category*

The most significant changes in expenses by category between 2013 and 2014 relate to debt expenses, amortization and (gain)/loss on sale, grants and subsidies and professional services;

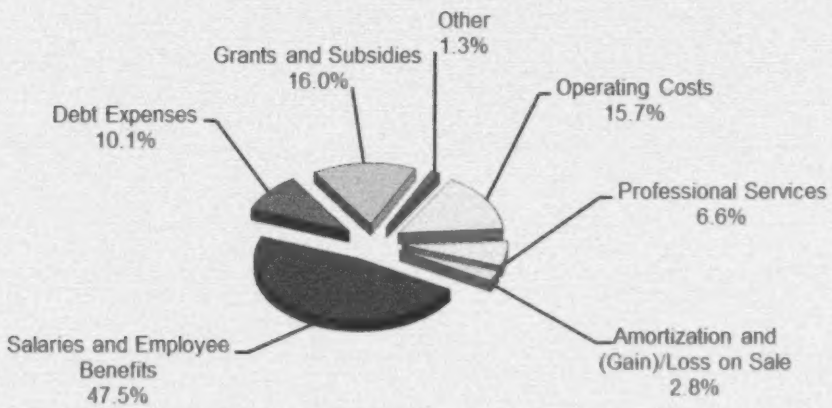
- Debt expenses increased by $71.2 million due to an increase in interest expense on the growing unfunded pension liabilities in the Consolidated Revenue Fund and Memorial University due to changes in actuarial assumptions;
- Amortization and (gain)/loss on sale of tangible capital assets increased by $48.9 million due to the timing and status of capital projects which created additions to capital assets;
- Professional services decreased by $24.6 million primarily due to project delays, as well as, a lower take up of programs requiring professional services. Furthermore, some one-time professional service expenses incurred in 2013 did not reoccur in 2014, and;
- Grants and subsidies decreased by $22.3 million primarily due to reduced program payments associated with the transition from a Federal common system for grants and contributions to a Provincial system in the department of Advanced Education and Skills.

The following graphs display the expenses by category as a percentage of total expense for 2014 and 2013.

Expenses by Major Category - 2014



Expenses by Major Category - 2013



KEY INDICATORS

- Key indicators included in this document provide a complete picture of the Province's financial position at 31 March 2014.

- The common key indicators included herein were primarily identified in a research report issued by the Canadian Institute of Chartered Accountants (now represented as Chartered Professional Accountants of Canada) entitled *Indicators of Government Financial Condition*. These indicators, which are used in assessing a government's financial health in the context of the overall economic and financial environment, can be summarized under the headings of *flexibility, sustainability and vulnerability*.

- While there are no established public sector benchmarks for these indicators, one can assess the Province's financial condition through a comparison of previous years' indicators.

- Gross Domestic Product (GDP) and population figures were obtained from Newfoundland and Labrador Statistics Agency's website. Figures used were the latest non-forecasted information available as of 31 March 2014. The figures used in 2014 and 2013 analysis were the most recently available for each respective year.

Flexibility

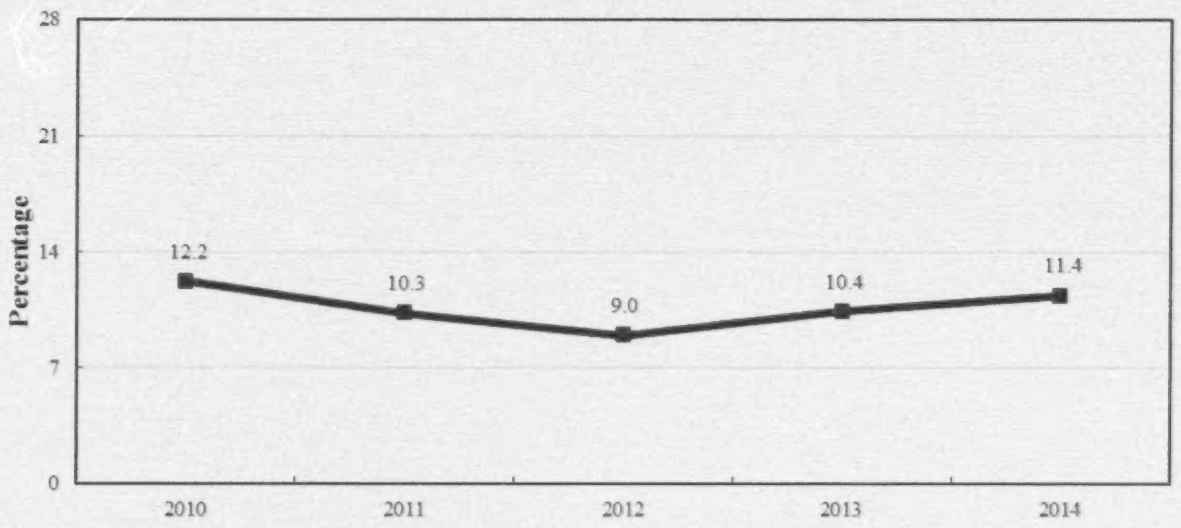
Flexibility refers to the degree to which a government can respond to rising commitments by either expanding its revenues or increasing its debt. Indicators of flexibility include:

a) *Province's Interest Cost as a Percentage of Revenues*

- This ratio measures the extent to which past borrowings may impact the Province's ability to provide for the economic and social needs of its citizens.

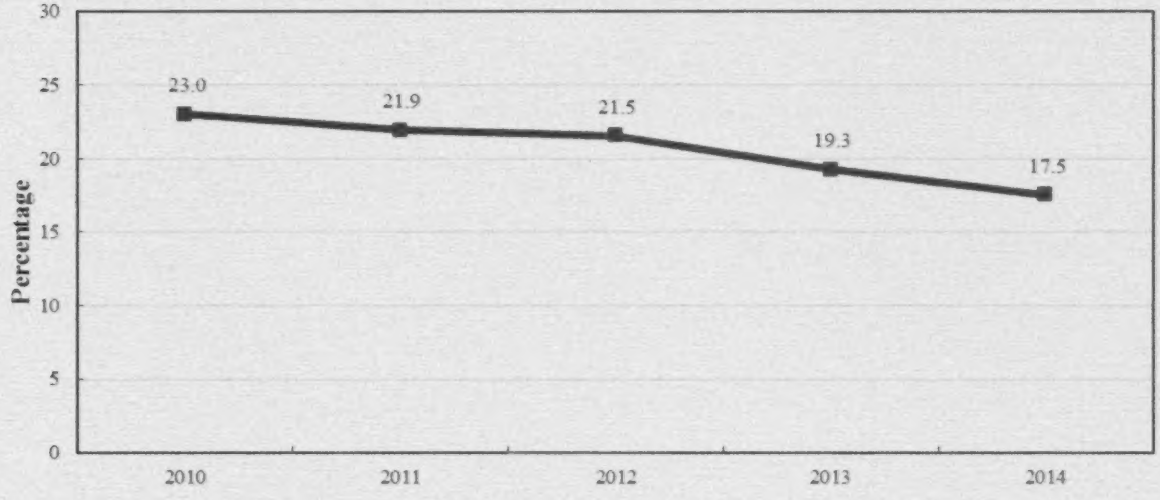
- The following graph indicates that the Province's interest costs as a percentage of revenues has increased in 2014 to 11.4%. The increase in the current year is mainly the result of an increase in debt expenses from 2013.

- The average of this ratio over the past five years is 10.6%. Interest costs continue to remain a significant expense incurred by the Province.



b) *Provincial Revenues as a Percentage of GDP*

- The purpose of this indicator is to show the extent to which a government is taking income out of the economy in its jurisdiction, through both taxation and user charges.
- The following graph indicates that Provincial revenues as a percentage of GDP decreased slightly in the current year which is consistent with 2013. Although the Province's GDP has improved each year since 2010, the Province's revenues have not uniformly increased with GDP as demonstrated in the graph below. This has created the downward trend observed in this indicator, though overall the percentage has remained relatively consistent.
- The 2014 ratio is 17.5%, a decrease from 19.3% in 2013. This ratio is below the five-year average of 20.7%.

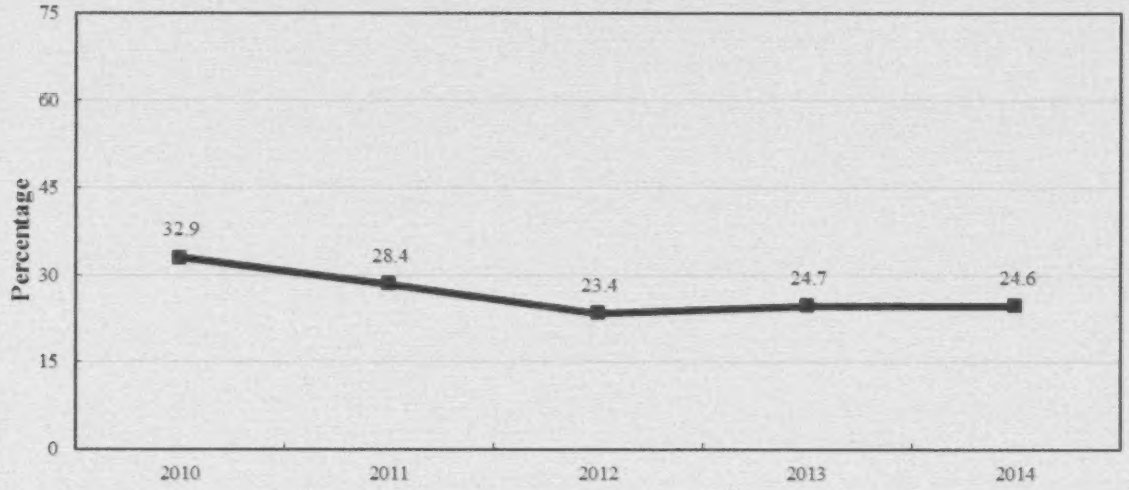


Sustainability

Sustainability refers to the degree to which a government can meet its existing program commitments and creditor requirements without increasing the debt burden on the economy. Indicators of sustainability include:

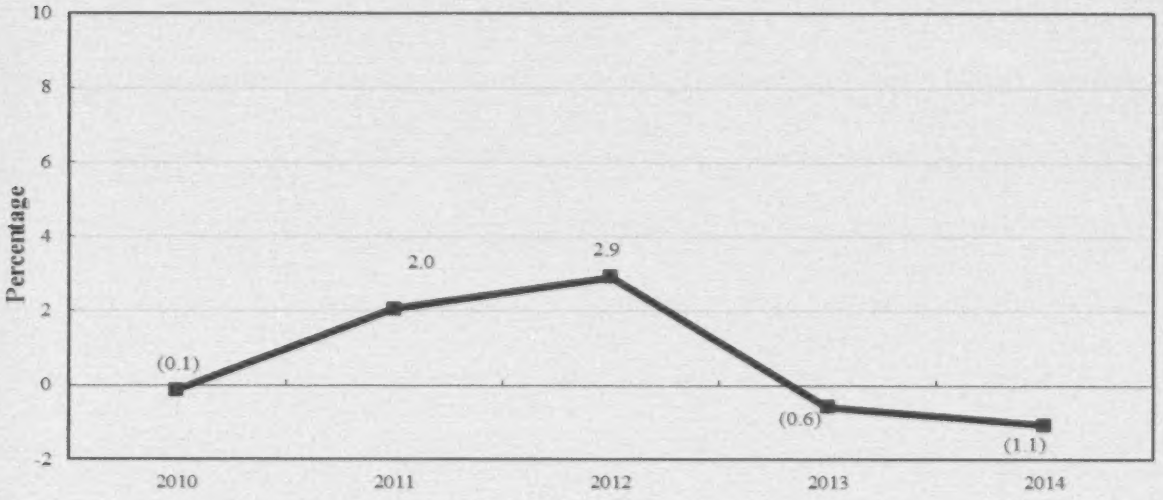
a) *Net Debt as a Percentage of GDP*

- This ratio measures the level of debt that the Province carries as a percentage of its GDP.
- As presented in the following graph, there has been a slight increase in net debt as a percentage of GDP in the current year; however it still remains lower than 2010 and 2011. On a five year basis, the relationship implies that the rate of decline in net debt has been greater than the rate of economic growth and as such, it indicates that Government has reduced its demands on the Provincial economy during this time.
- The average of this ratio over the past five years is 26.8%. Since 2010, it has experienced a significant decrease of approximately 8.3% .



b) *Annual Surplus (Deficit) as a Percentage of GDP*

- This ratio measures the difference between revenues and expenses expressed as a percentage of GDP.
- As indicated in the following graph, the annual surplus (deficit) as a percentage of GDP increased slightly to a greater deficit as a percentage of GDP to (1.1%) in 2014. The average of this ratio over the past five years is 0.6%. The current decrease suggests that the Province's ability to meet its financial obligations has also decreased.

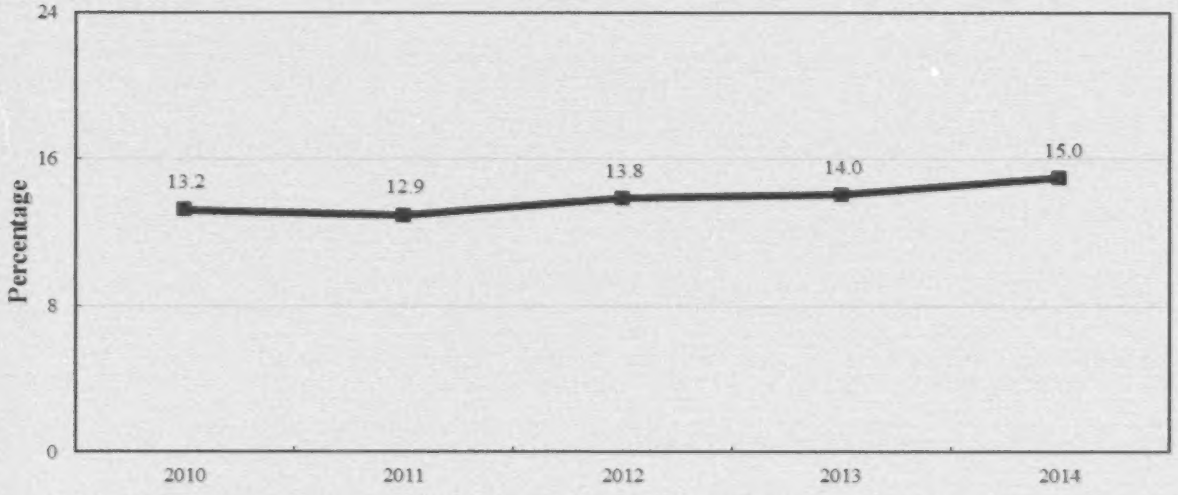


Vulnerability

Vulnerability refers to the degree to which a government is dependent on, and therefore vulnerable to, sources of funding outside of its control or influence. Indicators of vulnerability include:

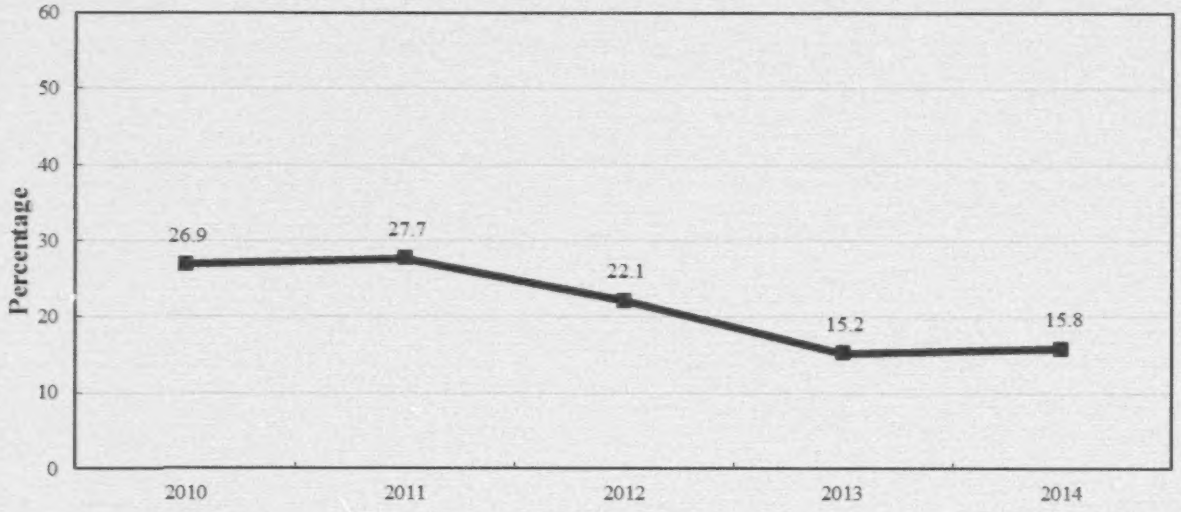
a) *Foreign Currency Debt as a Percentage of Net Borrowings*

- This ratio measures the Province's foreign currency debt relative to its net borrowings. It reflects the degree of vulnerability to which the Province is subject in relation to foreign currency swings.
- As indicated in the following graph, foreign currency debt as a percentage of net borrowings has increased to 15.0% in 2014. The increase in the current year occurred due to an overall decrease in net borrowings. As the foreign debt borrowings have remained unchanged from the prior year, the Province is no more vulnerable to changes in foreign currency exchange rates than in the previous years.
- The average of this ratio over the past five years is 13.8%. Foreign currency debt has historically represented a significant portion of net borrowings which is consistent with the increase to 15.0%.



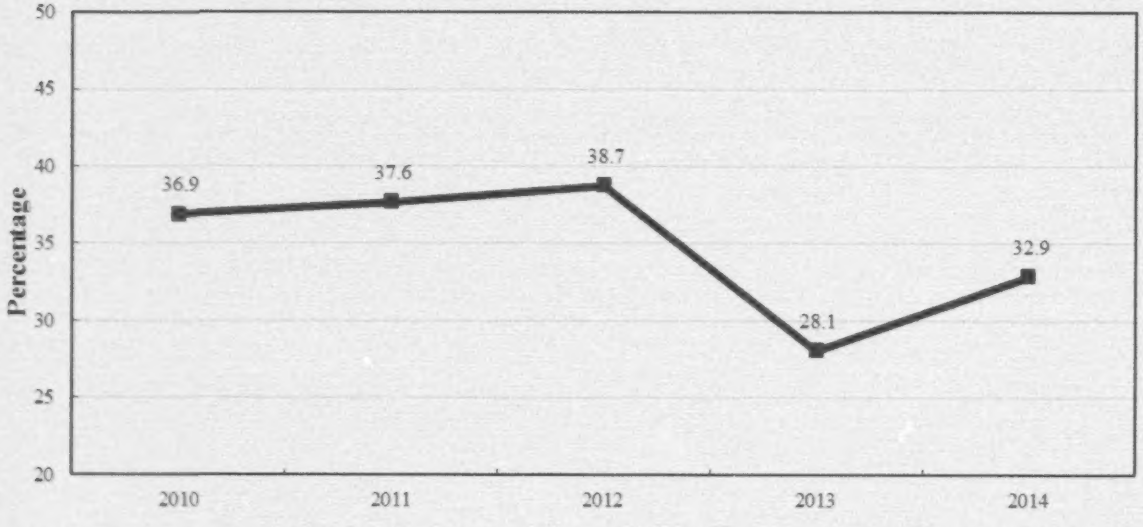
b) *Federal Transfers as a Percentage of Provincial Revenues*

- This ratio measures the extent to which the Province increases its own revenues from within the Province as compared to the extent it receives funds from the Federal Government.
- As indicated in the following graph, Federal transfers as a percentage of Provincial revenues is relatively consistent with 2013 with a slight increase of 0.6%. The indicator has declined significantly over the past 5 years mainly due to the expiration of the Atlantic Accord (1985) agreement in 2012. While this trend indicates that the Province is becoming more self-reliant, the fiscal policy decisions of the Federal Government continue to have an impact on the Province's financial position.
- Although the 2014 ratio of Federal transfers as a percentage of revenue generated from Provincial sources increased slightly to 15.8%, this is still significantly less than the five-year average of 21.5%.



c) *Offshore Royalties as a Percentage of Provincial Revenues*

- This ratio measures the Province's offshore royalty revenues in relation to total Provincial revenues. It reveals the degree to which the Province relies on revenues from offshore royalties as a source of funding.
- As indicated in the following graph, offshore royalties as a percentage of Provincial revenues have recovered slightly from the decrease experienced in 2013, but are still lower than the percentages experienced from 2010 to 2012.
- For the past five years, the average ratio of offshore royalties to Provincial revenues is 34.8%. In 2014, the ratio is 32.9%, which is slightly below average. Although the ratio has decreased in the most recent fiscal years, offshore royalties continue to be a significant component of Provincial revenues; a revenue source which is subject to the volatility of market factors such as the price of oil.



FINANCIAL PERFORMANCE

As presented in this report, the Province experienced a deficit in 2013-14 for the second consecutive year in a row. This is the third deficit combined with six years of surplus in the past nine years with a cumulative surplus of $5.2 billion. Although the Province experienced strong economic growth in 2013-14, the deficit indicates the fiscal challenges the Province continues to face including the large level of debt. As good economic stewards, appropriate measures will continue to be required to manage the Province's debt while ensuring an expenditure base that is sustainable in the future along with a competitive tax system.

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Province of Newfoundland and Labrador

Consolidated Summary Financial Statements

For The Year Ended 31 March 2014

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Newfoundland Labrador

Government of Newfoundland and Labrador
Department of Finance
Office of the Minister

October 9, 2014

STATEMENT OF RESPONSIBILITY

Responsibility for the integrity, objectivity and fair presentation of the consolidated summary financial statements of the Province of Newfoundland and Labrador rests with the Government. As required under Section 59 of the *Financial Administration Act*, these consolidated summary financial statements are prepared by the Comptroller General of Finance in accordance with the applicable legislation and in accordance with the accounting policies as disclosed in Note 1 to these consolidated summary financial statements. These consolidated summary financial statements are prepared based upon information provided by the various Government departments and the noted Crown corporations, boards and authorities pursuant to Section 19 of the *Transparency and Accountability Act* and Section 20 of the *Financial Administration Act*.

The Government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained.

The consolidated summary financial statements in this volume include a Consolidated Statement of Financial Position, a Consolidated Statement of Change in Net Debt, a Consolidated Statement of Operations, a Consolidated Statement of Change in Accumulated Deficit, a Consolidated Statement of Cash Flows and notes. Other schedules and notes that are included also form an integral part of these statements.

Pursuant to Section 11 of the *Auditor General Act*, the Auditor General of Newfoundland and Labrador provides an independent opinion on the consolidated summary financial statements.

ROSS WISEMAN
Minister of Finance and
President of Treasury Board

ANN MARIE MILLER, CMA
Comptroller General of Finance

P.O. Box 8700, St. John's, NL, Canada A1B 4J6 t 709.729.3775 f 709.729.2232

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AUDITOR
GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the House of Assembly
Province of Newfoundland and Labrador

Report on the Consolidated Summary Financial Statements

I have audited the accompanying Consolidated Summary Financial Statements of the Province of Newfoundland and Labrador, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of change in net debt, operations, change in accumulated deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Government's Responsibility for the Consolidated Summary Financial Statements

Government is responsible for the preparation and fair presentation of these Consolidated Summary Financial Statements in accordance with Canadian public sector accounting standards, and for such internal control as Government determines is necessary to enable the preparation of Consolidated Summary Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these Consolidated Summary Financial Statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Summary Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Summary Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Summary Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Consolidated Summary Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Government, as well as evaluating the overall presentation of the Consolidated Summary Financial Statements.

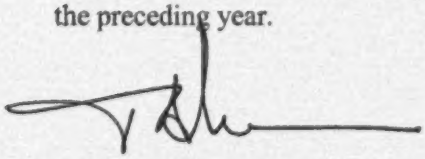
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the Consolidated Summary Financial Statements present fairly, in all material respects, the consolidated financial position of the Province as at March 31, 2014, and the consolidated results of its operations, the change in its net debt, the change in its accumulated deficit and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required under Section 11 of the *Auditor General Act*, I also report that in my opinion, these Consolidated Summary Financial Statements present fairly, in all material respects, the consolidated financial position of the Province as at March 31, 2014, and the consolidated results of its operations, the change in its net debt, the change in its accumulated deficit, and its cash flows for the year then ended in accordance with the accounting policies as disclosed in Note 1 to these Consolidated Summary Financial Statements applied on a basis consistent with that of the preceding year.



TERRY PADDON, CA
Auditor General

October 10, 2014
St. John's, Newfoundland and Labrador

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Financial Position
As at 31 March 2014
with comparative figures for 2013

		Actuals 2014 ($000)	Actuals 2013 ($000)
	FINANCIAL ASSETS		
	Cash and temporary investments - note 2	1,583,054	1,970,820
Sch. 1	Receivables (net of valuation allowances)	919,772	936,683
	Inventories held for resale - note 3	6,374	6,686
Sch. 2	Loans, advances and investments (net of valuation allowances)	335,993	364,814
Sch. 3	Equity in government business enterprises and partnership - note 1(b)	2,425,794	1,837,588
	Total Financial Assets	5,270,987	5,116,591
	LIABILITIES		
Sch. 5	Payables, accrued and other liabilities	2,621,814	2,411,953
	Deferred revenue - note 4	152,696	176,121
Sch. 6	Borrowings (net of sinking fund assets)	5,066,111	5,148,304
	Plus: Unamortized unrealized foreign exchange gains (losses) - note 5	53,111	135,093
		5,119,222	5,283,397
	Group health and life insurance retirement benefits - note 6	2,554,039	2,322,897
	Unfunded pension liability - note 7	3,908,168	3,269,968
	Total Liabilities	14,355,939	13,464,336
	NET DEBT	9,084,952	8,347,745
	NON-FINANCIAL ASSETS		
Sch. 9	Tangible capital assets	4,055,575	3,824,321
	Prepaid and deferred charges - note 8	45,808	43,352
	Inventories of supplies - note 3	46,870	48,282
	Total Non-Financial Assets	4,148,253	3,915,955
	ACCUMULATED DEFICIT	4,936,699	4,431,790

Contingent Liabilities - note 9
Contractual Obligations - note 10
Externally Restricted Assets - note 11
Sch. 7 Guaranteed Debt - note 12
Sch. 8 Trust Accounts - note 9(c)(i)

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Change in Net Debt
For the year ended 31 March 2014
with comparative figures for 2013

	Actuals 2014 ($000)	Original Estimates 2014 (Note 18) ($000)	Actuals 2013 ($000)
NET DEBT - beginning of period	8,347,745	8,583,283	7,836,762
Add (Deduct):			
Adjustments - note 13			
First time adoption of Public Sector Accounting Standards	75,734	-	(16,987)
Change in Government reporting entity	15,661	-	-
Government organization changes	24,947	-	(410)
ADJUSTED NET DEBT - beginning of period	8,464,087	8,583,283	7,819,365
Surplus (Deficit) for the period	(388,567)	(563,768)	(195,025)
Changes in tangible capital assets			
Acquisition of tangible capital assets	562,203	636,813	524,198
Net book value of tangible capital asset disposals/adjustments	(77,081)	-	17,592
Amortization of tangible capital assets	(253,868)	(264,478)	(209,024)
Increase (Decrease) in net book value of tangible capital assets	231,254	372,335	332,766
Changes in other non-financial assets			
Acquisition of prepaid and deferred charges (net of usage)	2,456	-	109
Acquisition of inventories of supplies (net of consumption)	(1,412)	-	480
Increase (Decrease) in other non-financial assets	1,044	-	589
Increase (Decrease) in net debt	620,865	936,103	528,380
NET DEBT - end of period	9,084,952	9,519,386	8,347,745

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Operations
For the year ended 31 March 2014
with comparative figures for 2013

		Actuals 2014	Original Estimates 2014 (Note 18)	Actuals 2013
		($000)	($000)	($000)
REVENUE				
Sch. 10	Provincial			
Sch. 10	Taxation	3,204,965	3,204,966	3,520,852
Sch. 10	Investment	98,322	203,725	183,968
Sch. 10	Fees and fines	279,452	383,439	277,028
Sch. 10	Offshore royalties	2,125,837	2,091,359	1,828,234
Sch. 10	Miscellaneous	380,067	214,468	462,613
Sch. 10	Government of Canada	1,020,298	1,127,004	992,112
		7,108,941	7,224,961	7,264,807
Sch. 4	Net income of government business enterprises and partnership	378,531	250,438	240,686
	Total Revenue	7,487,472	7,475,399	7,505,493
EXPENSE				
Sch. 11	General Government Sector and Legislative Branch	2,050,531	2,104,661	1,876,238
Sch. 11	Resource Sector	1,433,709	1,474,199	1,508,886
Sch. 11	Social Sector	4,391,799	4,460,307	4,315,394
Sch. 12	***Total Expense***	7,876,039	8,039,167	7,700,518
ANNUAL SURPLUS (DEFICIT)		(388,567)	(563,768)	(195,025)

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Change in Accumulated Deficit
For the year ended 31 March 2014
with comparative figures for 2013

	Actuals 2014 ($000)	Original Estimates 2014 (Note 18) ($000)	Actuals 2013 ($000)
ACCUMULATED DEFICIT - beginning of period	4,431,790		4,254,162
Add (Deduct):			
Adjustments - note 13			
First time adoption of Public Sector Accounting Standards	75,734		(16,987)
Change in Government reporting entity	15,661		-
Government organization changes	24,947		(410)
ADJUSTED ACCUMULATED DEFICIT - beginning of period	4,548,132		4,236,765
Surplus (Deficit) for the period	(388,567)	(563,768)	(195,025)
ACCUMULATED DEFICIT - end of period	4,936,699		4,431,790

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Cash Flows
For the year ended 31 March 2014
with comparative figures for 2013

	Actuals 2014 ($000)	Actuals 2013 ($000)
Funds provided from (applied to):		
OPERATIONS		
Annual surplus (deficit)	(388,567)	(195,025)
Add (Deduct) non-cash items:		
Amortization of foreign exchange (gains)/losses	(15,630)	(17,840)
Amortization of tangible capital assets	253,868	209,024
Retirement costs	869,500	714,936
Valuation allowances	4,068	11,888
Unremitted net income of government business enterprises and partnership	(105,939)	(99,686)
Sinking fund earnings	(55,635)	(54,638)
Deferred revenue	(23,425)	(24,621)
Other	201,162	156,674
Net cash provided from (applied to) operating transactions	739,402	700,712
CAPITAL		
Acquisitions	(560,627)	(524,198)
Disposals	23,220	3,169
Net cash provided from (applied to) capital transactions	(537,407)	(521,029)
FINANCING		
Debt issued	2,788	4,538
Debt retirement	(110,977)	(69,282)
Special purpose funds/contractors' holdback funds	(4,427)	11,058
Treasury bills redeemed	(1,971,030)	(1,971,085)
Treasury bills purchased	1,971,046	1,971,050
Sinking fund proceeds	64,003	-
Sinking fund contributions	(49,981)	(51,596)
Retirement of pension liabilities	(20,300)	(314,000)
Net cash provided from (applied to) financing transactions	(118,878)	(419,317)
INVESTING		
Loan repayments	78,322	77,982
Investments	16,352	(16,168)
Investment in government business enterprises	(531,000)	(245,000)
Loan advances	(34,557)	(49,323)
Net cash provided from (applied to) investing transactions	(470,883)	(232,509)
Net cash provided (applied)	(387,766)	(472,143)
Cash and temporary investments - beginning of period	1,970,820	2,442,963
CASH AND TEMPORARY INVESTMENTS - end of period - note 2	1,583,054	1,970,820

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Notes to the Consolidated Financial Statements
For the year ended 31 March 2014

1. Summary of Significant Accounting Policies

(a) The Reporting Entity

The Reporting Entity includes the accounts and financial activities of organizations, as approved by Treasury Board, which are controlled by Government. These organizations are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the Legislature.

A listing of organizations included in these financial statements is provided in Schedule 14 - Government Reporting Entity.

(b) Method of Consolidation

The accounts of government organizations, except those designated as government business enterprises and government business partnership, are consolidated after adjusting them to a basis consistent with the accounting policies described below. Inter-organizational transactions and balances are eliminated.

Government business enterprises and government business partnerships are organizations, included in the reporting entity, that have the financial and operating authority to carry on a business and sell goods and services to individuals and non-government organizations as its principal activity and source of revenue.

Government business enterprises and government business partnerships are recorded on the modified equity method. Under this method, the Government's proportionate share of equity in these organizations are adjusted annually to reflect the net income/loss and other net equity changes of the organizations without adjusting the organization's financial statements to conform with the accounting policies described below. Inter-organizational transactions and balances are not eliminated.

Adjustments are not made to the financial results of government organizations because of fiscal year-ends different than that used for the consolidated entity, unless it would have a significant impact on the consolidated operating results.

(c) Basis of Accounting

(i) *Method*

These financial statements are prepared on the accrual basis of accounting, revenues being recorded when earned and expenses being recorded when liabilities are incurred, with exceptions made in accordance with the applicable significant accounting policies.

(ii) *Revenues*

Revenues from the Government of Canada under the federal-provincial fiscal arrangements, health and social transfers and tax collection agreements are based on regular entitlements received for the current year and adjusted against future years' revenues when known. Government transfers are recognized as revenue in the period during which the transfer is authorized and all eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recorded as deferred revenue and are recognized as revenue when the funds are used as intended.

Revenues from provincial tax sources are accrued in the year earned based upon estimates using statistical models and prior year actuals. Tax revenues are recorded at the amount

estimated, after considering certain adjustments for non-refundable tax credits and other adjustments from the federal government. Refundable tax credits are not recognized as a reduction of tax revenues. Tax revenues are recorded net of any tax concessions or expenditures that reduce the amount of tax payable. Transfers made through the tax system that do not affect the amount of tax payable are recorded as expenses.

Other revenues are recorded on an accrual basis.

(iii) *Expenses*

Expenses are recorded on an accrual basis.

Retirement related costs are determined as the cost of benefits and interest on the liabilities accrued, as well as amortization of experience gains and losses.

(iv) *Assets*

Cash and temporary investments represent the cash position including bank balances and short-term, highly liquid investments that are readily convertible to known amounts of cash. Temporary investments are recorded at cost or market value, whichever is lower.

Accounts receivable are recorded for all amounts due for work performed and goods or services supplied. Taxes receivable are recorded for all amounts due for levies that are authorized and for which the taxable event has occurred. Valuation allowances are provided when collection is considered doubtful.

Inventories held for resale are recorded at the lower of cost or net realizable value.

Inventories of supplies are comprised of items which are held for consumption that will be used by the Province in the course of its operations.

Loans, advances and mortgages receivable are recorded at cost, less any concessionary terms. Concessionary terms represent the difference between the face value and the present value of the loan and are accounted as expenses on the Statement of Operations. Valuation allowances are recorded to reflect assets at the lower of cost or net recoverable value. Loans made by the Province that are expected to be recovered from future appropriations are accounted for as expenses by providing valuation allowances. Interest revenue on loans receivable is recognized when earned and ceases when collection is not reasonably assured.

Investments are recorded at cost, less any concessionary terms. Concessionary terms represent the difference between the face value and the present value of the investment and are accounted as expenses on the Statement of Operations. Investments are written down when there is a loss in value that is other than a temporary decline.

Equity in government business enterprises and government business partnerships represents the net assets of government business enterprises and government business partnerships recorded on the modified equity basis as described under note 1(b).

Unrealized foreign exchange gains or losses are deferred and amortized on a straight line basis over the remaining term of the debt.

Tangible capital assets held by the Province are recorded at cost or estimated cost less accumulated amortization.

(v) *Liabilities*

Payables, accrued and other liabilities are recorded for all amounts due for work performed, goods or services received or for charges incurred in accordance with the terms of a contract.

Deferred revenue represents amounts received but not earned.

Borrowings, except treasury bills, are recorded at face value and are reported net of sinking funds. Treasury bills are recorded at net proceeds. The Province records foreign-denominated debt in Canadian dollars translated at the exchange rate on the transaction date which is considered to be the issue date; except for the proceeds of hedged transactions which are recorded at the rate as established by the terms of that hedge. Foreign-denominated sinking fund assets are also recorded in Canadian dollars and transactions are translated at the exchange rate used in recording the related debt. At 31 March, foreign debt and sinking funds are adjusted to reflect the exchange rate in effect on that date.

(vi) *Government Transfers*

Government transfers are recognized by the Province as revenues or expenses in the period during which both the payment is authorized and any eligibility criteria and stipulations are met. The recognition of transfer revenues is only deferred when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability. Receivables are established for transfers to which the Province is entitled under government legislation, regulation or agreement. Liabilities are established for any transfers due at 31 March for which the intended recipients have met the eligibility criteria and the transfer is authorized.

(vii) *Loan Guarantees*

The Province has guaranteed the repayment of principal and interest on certain debentures and bank loans on behalf of Crown corporations, municipalities, private sector companies and certain individuals. A provision for losses on these guarantees is established when it is determined that a loss is likely.

(d) Generally Accepted Accounting Principles

The accounting policies followed in the preparation of these financial statements have been applied consistently with generally accepted accounting principles for senior governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(e) Future Changes in Accounting Policies

PS 3260 - Liability for Contaminated Sites

The Public Sector Accounting Board issued Section PS 3260 - Liability for Contaminated Sites, which establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. This accounting standard is effective for fiscal years beginning on or after April 1, 2014. As defined in the standard, contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The Province will recognize a liability related to the remediation of such contaminated sites subject to certain recognition criteria. The Province is currently analyzing the impact of this standard on its financial statements.

PS 3450 - Financial Instruments and PS 2601 - Foreign Currency Translation

The Public Sector Accounting Board issued Section PS 3450 - Financial Instruments, effective for fiscal years beginning on or after April 1, 2016. Under this new standard, financial instruments will be assigned a measurement category of either fair value, cost or amortized cost. Until a financial instrument is

derecognized, any gains or losses that arise due to fair value remeasurement will be reported on the Statement of Remeasurement Gains and Losses. Adoption of this standard requires the adoption of PS 2601 - Foreign Currency Translation, PS 1201 - Financial Statement Presentation and PS 3041 - Portfolio Investments in the same fiscal year. The impact of this standard on the financial statements is not yet known.

2. Cash and Temporary Investments

Cash and temporary investments consist of:

	31 March 2014 ($mil)	31 March 2013 ($mil)
Cash and temporary investments – Consolidated Revenue Fund (CRF):		
Cash balance (overdraft)	816.3	1,029.5
Temporary investments	149.0	422.9
Total cash and temporary investments – CRF	965.3	1,452.4
Cash and temporary investments – Other Entities:		
Cash balance (overdraft)	427.5	355.1
Temporary investments	190.3	163.3
Total cash and temporary investments – Other Entities	617.8	518.4
Total: Cash and Temporary Investments (CRF and Other Entities)	1,583.1	1,970.8

Temporary investments consist of investments with financial institutions. As at 31 March 2014, these investments are on call or have maturity dates ranging from 9 April 2014 to 30 June 2020 at interest rates which vary from 1.16% to 7.00%.

3. Inventories

Inventories consist of:

	31 March 2014 ($mil)	31 March 2013 ($mil)
Inventories Held for Resale		
University and college textbooks, stockroom and food supplies	3.4	3.3
Other entities	3.0	3.4
Total: Inventories Held for Resale	6.4	6.7
Inventories of Supplies		
Textbooks and stockroom supplies held within the CRF	22.7	23.7
Medical and drug supplies held by health sector entities	22.5	23.0
Other miscellaneous supplies	1.7	1.6
Total: Inventories of Supplies	46.9	48.3

4. Deferred Revenue

Deferred revenue consists of:

	31 March 2014 ($mil)	31 March 2013 ($mil)	Change ($mil)
Entities in the education sector relating to the provision of various educational services including contract training and special projects	116.9	115.5	1.4
Gas tax initiatives	9.6	11.4	(1.8)
Entities in the health sector relating to the provision of various health care services including research and other contracts	7.2	20.4	(13.2)
Federal initiatives in support of community development, employment development and police officers	4.9	15.4	(10.5)
Other miscellaneous programs including recycling programs, social and economic development and cultural heritage	14.1	13.4	0.7
Total: Deferred Revenue	152.7	176.1	(23.4)

The balance as of 31 March 2014 will be recognized as revenue in the periods in which the revenue recognition criteria have been met.

5. Unamortized Unrealized Foreign Exchange Gains and Losses

Foreign currency debt and sinking funds are translated to Canadian dollars at the exchange rate at 31 March 2014 or the exchange rate at maturity for these debt and sinking funds retired during the fiscal year. See Schedule 6 - Borrowings. Details of the effect of these translations at year end are outlined in the table below.

The net amortization expense is $15.6 million which represents a credit adjustment (31 March 2013 - $17.8 million-credit adjustment).

	31 March 2014 ($mil)	31 March 2013 ($mil)
Foreign exchange gain (loss):		
Debt	110.8	204.8
Sinking funds	(38.6)	(66.2)
Net	72.2	138.6
Total accumulated amortization	(19.1)	(3.5)
Net unamortized unrealized foreign exchange gains (losses)	53.1	135.1

6. Retirement Benefits - Group Health and Life Insurance

All retired employees of the Government of Newfoundland and Labrador who are receiving a pension from the Public Service Pension Plan, Uniformed Services Pension Plan, Members of the House of Assembly Pension Plan or the Provincial Court Judges' Pension Plan are eligible to participate in the group insurance program sponsored by Government. All retired teachers who are receiving a pension from the Teachers' Pension Plan are eligible for coverage under the group insurance program sponsored by the Newfoundland and Labrador Teachers Association (NLTA) and cost shared by Government. All retired employees of the Newfoundland and Labrador Housing Corporation (NLHC) are eligible to participate in the group insurance plans sponsored by NLHC. All retired employees of Memorial University of Newfoundland (MUN) who are receiving a pension from the Memorial University Pension Plan or another retirement benefit to which MUN contributed are eligible to participate in the group insurance plans sponsored by MUN. These programs provide both group health and group life benefits to enrolled retirees.

Under the plans sponsored by the Province, NLTA and NLHC, the employer contributes 50% towards group health and group life premiums for both employees and retirees. Plans sponsored by the NLTA are subject to the maximum rates under the NLTA's program. NLHC contributes 100% of the retirees' group life premiums after age 65. For plans sponsored by MUN, the employer also contributes 50% of the total premium charged towards the benefits of both employees and retirees, with the exception of certain retirees whose health benefits are fully funded by MUN. As at 31 March 2014, the total of all the plans provided benefits to 24,128 retirees.

Actuarial Valuations

An actuarial extrapolation was prepared to 31 March 2014 by the Province's actuaries based on the latest actuarial valuation (valuation date of 31 March 2012) for the programs sponsored by the Province and the NLTA. The actuarial extrapolation was based on a number of assumptions about future events including an interest rate of 3.90%, Consumer Price Index (CPI) of 2.50%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect the Province's best estimates of expected long-term rates and short-term forecasts.

An actuarial extrapolation was prepared to 31 March 2014 by NLHC's actuaries (valuation date 31 March 2012) for the programs sponsored by NLHC. The actuarial extrapolation was based on a number of assumptions about future events including an interest rate of 5.0%, CPI of 2.0%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect NLHC's best estimates of expected long-term rates and short-term forecasts.

An actuarial extrapolation was prepared to 31 March 2014 by MUN's actuaries based on the latest actuarial valuation (valuation date of 31 December 2012) for the programs sponsored by MUN. The extrapolation was based on a number of assumptions about future events including an interest rate of 4.4%, CPI of 2.5%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect MUN's best estimates of expected long-term rates and short-term forecasts.

Group Health and Life Insurance Retirement Benefits Liability

Details of the group health and life insurance retirement benefits liability are outlined in the table below:

Plan	Estimated Accrued Benefit Obligation ($mil)	Unamortized Experience Gains (Losses) ($mil)	Net Liability 2014 ($mil)	Net Liability 2013 ($mil)	Difference ($mil)
Group health retirement benefits	2,123.4	332.0	2,455.4	2,231.3	224.1
Group life insurance retirement benefits	115.5	(16.9)	98.6	91.6	7.0
Total	2,238.9	315.1	2,554.0	2,322.9	231.1

There are no fund assets associated with these plans.

Group Health and Life Insurance Retirement Benefits Expense

In these statements, group health and life insurance retirement benefits costs have been determined as the cost of benefits accrued during the period. Interest on the liability has been accrued for the same period.

The change in the liability for the current period is comprised of the following amounts:

Plan	Employer's Share of Current Period Costs ($mil)	Interest Expense on the Liability ($mil)	Employer's Current Period Contributions ($mil)	Current Period Amortization of Experience Changes ($mil)	Other Adjustments ($mil)	Change ($mil)
Group health retirement benefits	105.8	100.9	(27.5)	44.9	-	224.1
Group life insurance retirement benefits	3.6	4.5	(3.5)	2.4	-	7.0
Total	109.4	105.4	(31.0)	47.3	-	231.1

Interest expense related to the group health and life insurance retirement benefits liability is included with interest as debt expenses in the financial statements. Interest expense for 31 March 2013 amounted to $111.0 million.

Experience Gains or Losses

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount is included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

7. Retirement Benefits - Pensions

Defined Benefits

The Government of Newfoundland and Labrador guarantees defined benefit pension plans for substantially all of its full time employees, and those of its Agencies, Boards and Commissions and for members of its Legislature. The plans are - the Public Service Pension Plan, Teachers' Pension Plan, Uniformed Services Pension Plan, the Members of the House of Assembly Pension Plan, and the Provincial Court Judges' Pension Plan. In addition, Memorial University of Newfoundland (MUN) also has a defined benefit pension plan for full time employees known as the Memorial University of Newfoundland Pension Plan. Combined, the plans have 39,995 participants as at 31 March 2014.

The Plans provide for pensions based on employees' length of service and highest average earnings. Employees contribute a defined percentage of their salary, and the employer generally matches this amount. As at 31 March 2014, the plans provided benefits to 29,393 pensioners. Inflation protection is not extended to pensioners of the Uniformed Services Pension Plan and the Members of the House of Assembly Pension Plan nor to pensioners of the Teachers' Pension Plan who retired prior to 1 September 1998.

In 1980, the Province of Newfoundland and Labrador Pooled Pension Fund was established by the *Pensions Funding Act*, with the Minister of Finance as Trustee. This Fund administers all financial activity, including the collection of all contributions and the payment of pensions and the investment of funds for all the pension plans noted above with the exception of the Memorial University of Newfoundland Pension Plan. The financial activity of the Memorial University of Newfoundland Pension Plan is administered by MUN. The Consolidated Revenue Fund guarantees any deficiency in the event assets of a plan are insufficient to meet benefit payments or administration costs.

Contribution and Benefit Formulae

Public Service Pension Plan

Employee contributions are 8.6% of pensionable salary, less a formulated amount representing contributions to the Canada Pension Plan (CPP). A pension benefit is available based on the number of years of pensionable service times 2% of the employee's best five years average salary, reduced by a formulated amount representing CPP pension benefits for each year since 1967.

During 2006-07 plan legislation was enacted consistent with the two components of the Plan. The Registered component will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund and will provide benefits based on limits set out in the federal *Income Tax Act*. The Supplementary component is administered in the accounts of the Consolidated Revenue Fund and provides for the remainder of benefits under the Plan.

Teachers' Pension Plan

Employee contributions are 9.35% of pensionable salary. A pension benefit is available based on the number of years of pensionable service prior to 1 January 1991 times $1/45^{th}$ of the employee's best five years average salary, plus 2% of the employee's best five years average salary times years of pensionable service after that date, reduced by a formulated amount representing CPP pension benefits for each year since 1967. The CPP reduction only applies to pensioners who retired after 31 August 1998.

During 2006-07 plan legislation was enacted consistent with the two components of the Plan. The Registered component is administered within the Province of Newfoundland and Labrador Pooled Pension Fund and provides benefits based on limits set out in the federal *Income Tax Act*. The Supplementary component is administered in the accounts of the Consolidated Revenue Fund and provides for the remainder of benefits under the Plan.

Memorial University of Newfoundland Pension Plan

Employee contributions are 9.9% of pensionable salary, less a formulated amount representing contributions to the CPP. A pension benefit is available based on the number of years of pensionable service times 2% of the employee's best five years average salary, reduced at age 65 by a formulated amount representing integration with the CPP.

In addition to the above Registered component, in May 1996, MUN approved a Supplemental Retirement Income Plan to provide benefits to employees whose average salaries upon retirement generate defined benefit pensions that exceed the maximum benefits payable from the Memorial University of Newfoundland Pension Plan as per limits set out in the federal *Income Tax Act*. As well, in February and May 1996, MUN offered employees who reached the age of 55 and attained a minimum of 10 years pensionable service, an opportunity to take an early retirement under the provisions of the Voluntary Early Retirement Incentive Program. The program provided an incentive of enhanced pension benefits of up to five years pensionable service and waiver of actuarial reduction, if applicable, or a lump sum early retirement payment.

Uniformed Services Pension Plan

Employee contributions are 9.95% of pensionable salary, less a formulated amount representing contributions to the CPP. A pension benefit is available based on the number of years pensionable service times 2% of the employee's best three years average salary, reduced by a formulated amount representing CPP pension benefits since 1967. Grandfathered members have higher service accrual pensions in recognition of their higher contributions.

During 2012-13 plan legislation was enacted consistent with the two components of the Plan. The Registered component will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund and will provide benefits based on limits set out in the federal *Income Tax Act*. The Supplementary component will be administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

Members of the House of Assembly Pension Plan

Member contributions are 9% of pensionable salary, which includes salary as a Minister, if applicable. A pension benefit is available after serving as a Member in, at least, two General Assemblies and for, at least, five years. The benefit formula is based on years of service expressed as a percentage of the average pensionable salary for the best three years. The percentage varies being 5% for each of the first ten years, 4% for each of the next five years and 2.5% for each of the next two years of service as a Member. For members elected for the first time after 8 February 1999, the percentage is 5% for the first ten years and 2.5% for each of the next ten years. For members elected for the first time after 31 December 2009 the percentage is 3.5% for each year of service as a Member. The accrued benefit is reduced by a formulated amount representing CPP pension benefits for each year since 1967. Ministers receive an additional pension amount calculated similarly, based on service and pensionable salary as a Minister.

During 2005-06 the *Members of the House of Assembly Retiring Allowances Act* was enacted to restructure the Members of the House of Assembly Pension Plan into two components based on limits set out in the federal *Income Tax Act*. The first, or Registered component, is administered within the Province of Newfoundland and Labrador Pooled Pension Fund. The second, or the Supplementary Employee Retirement component, is administered in the accounts of the Consolidated Revenue Fund.

Provincial Court Judges' Pension Plan

Effective 1 April 2002 (pursuant to the *Provincial Court Judges' Pension Plan Act* enacted 8 June 2004) the Provincial Court Judges' Pension Plan was established with then-existing judges being given the one-time option of transferring from the Public Service Pension Plan. All judges appointed subsequent to 1 April 2002 are required to join this Plan. Employee contributions are 9% of pensionable salary. A pension benefit is available based on the number of years pensionable service times 3.33% of the judge's annual salary. The Registered component of the Plan, administered within the Province of Newfoundland and Labrador Pooled Pension Fund, provides benefits based on limits set out in the federal *Income Tax Act* with the remainder of the benefit provided by the Supplementary component. The Supplementary component is administered in the accounts of the Consolidated Revenue Fund.

Actuarial Valuations

The actuarial valuations which are prepared by the Province's and MUN's actuaries were based on a number of assumptions about future events, such as interest rates, wage and salary increases, inflation rates and rates of employee turnover, disability and mortality. The assumptions used reflect the Province's and MUN's best estimates of expected long-term rates and short-term forecasts. The expected interest and inflation rates follow:

Expected Interest Rates

The expected average interest rate for the Public Service Pension Plan is 6.75%. The expected rate for the Teachers' Pension Plan is 6.75% projected on a long-term basis. The expected rate of return for the Memorial University of Newfoundland Pension Plan is 6.3%, the Supplemental Retirement Income Plan is 4.4% and the Voluntary Early Retirement Income Plan is 3.70% projected on a long-term basis. The expected rate for the Uniformed Services Pension Plan is 6.75% projected on a long-term basis. The expected rate for the Members of the House of Assembly Pension Plan is 6.75% for the Registered component and 3.60% for the Supplementary Employee Retirement component, projected on a long-term basis. The expected rate for the Provincial Court Judges' Pension Plan is 6.50% for the Registered component and 3.60% for the Supplementary Employee Retirement component, projected on a long term basis.

Expected Inflation Rates

The expected inflation rate for all pension plans is 2.50%.

The latest actuarial valuations for the Province's pension plans, according to the administrators of those plans, are dated as listed in the following table:

Pension Plan	Valuation Date
Public Service	31 December 2012
Teachers'	31 August 2012
Memorial University of Newfoundland	31 December 2013
Uniformed Services	31 December 2011
Members of the House of Assembly	31 December 2009
Provincial Court Judges'	31 December 2010

Actuarial extrapolations are provided for accounting purposes by the Province's and MUN's actuaries based on the above dates, unless otherwise noted.

Pension Liability

Details of the pension liability are outlined in the table below. The estimated accrued benefit obligation and the value of the plan assets reported below have been extrapolated by the Province's and MUN's actuaries to 31 March 2014. The actual results of future valuations may result in variances from these extrapolations.

Pension Plan	Estimated Accrued Benefit Obligation	Fund Assets	Unamortized Experience Gains (Losses)	Net Unfunded Liability 2014	Net Unfunded Liability 2013	Change
	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)
Public Service	7,656.2	5,020.2	(358.4)	2,277.6	1,930.4	347.2
Teachers'	4,631.6	2,918.0	(520.9)	1,192.7	969.5	223.2
Memorial University of Newfoundland	1,426.9	1,176.5	(121.6)	128.8	92.0	36.8
Uniformed Services	426.5	182.1	(30.6)	213.8	189.4	24.4
Members of the House of Assembly	114.7	19.4	(14.6)	80.7	76.5	4.2
Provincial Court Judges'	21.9	6.4	(0.9)	14.6	12.2	2.4
Total	14,277.8	9,322.6	(1,047.0)	3,908.2	3,270.0	638.2

Pension Fund Assets for all pension plans are valued at the market value at 31 December 2013 and projected to year end.

Special Payments

During 2013-14, MUN made a special payment of $20.3 million towards the balance of the unfunded liability.

Pension Expense

In these statements, pension costs have been determined as the cost of benefits accrued during the period. Interest on the unfunded liability has been accrued for the same period.

The change in the unfunded liability for the current period for each plan is comprised of the following amounts:

Pension Plan	Province's Share of Pension Benefits Earned for the Period	Pension Interest Expense on the Unfunded Liability	Province's Current Period Pension Contributions	Current Period Amortization of Experience Changes	Other Adjustments	Unfunded Portion of Current Period Pension Change
	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)
Public Service	121.6	201.0	(112.8)	137.4	-	347.2
Teachers'	37.6	124.4	(43.1)	104.3	-	223.2
Memorial University of Newfoundland	28.0	27.5	(48.7)	30.0	-	36.8
Uniformed Services	4.5	16.1	(4.1)	7.9	-	24.4
Members of the House of Assembly	3.0	3.4	(6.1)	3.9	-	4.2
Provincial Court Judges'	1.7	0.6	(0.4)	0.5	-	2.4
Total	196.4	373.0	(215.2)	284.0	-	638.2

Pension interest expense is included with interest as debt expenses in the financial statements. Pension interest expense for 31 March 2013 amounted to $298.7 million.

Experience Gains or Losses

Experience gains or losses are amortized over the estimated average remaining service life of active contributors. The amortization amount is included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

Other Pension Plan

The Government Money Purchase Pension Plan was established for employees whose employment status does not qualify them for participation in another of their employer's pension plans. This plan has approximately 31,967 participants. Employees contribute 5% of their salary to the Plan and the Province generally matches this contribution. Each employee will receive an annuity at retirement, the value of which is determined by their accumulated contributions plus investment earnings. This Plan is administered by the London Life Insurance Company and at 31 March 2014 assets had a market value of $312.7 million (31 March 2013 - $280.3 million). The expense recognized for 31 March 2014 amounted to $2.3 million (31 March 2013 - $2.1 million).

8. Prepaid and Deferred Charges

Prepaid and deferred charges consist of:

	31 March 2014 ($mil)	31 March 2013 ($mil)
Workers' compensation fees	11.3	10.8
Property taxes and other municipal fees	10.8	6.4
Insurance costs	4.3	4.7
Software licences	3.0	7.6
Maintenance contracts	2.5	2.9
Library operating supplies	2.1	1.4
Rent	0.2	0.7
Membership fees and subscriptions	0.2	0.3
Other prepaid and deferred charges	11.4	8.6
Total: Prepaid and Deferred Charges	45.8	43.4

9. Contingent Liabilities

(a) Guaranteed Debt

Guarantees made by the Province as at 31 March 2014 amounted to $ 1,098.8 million (31 March 2013 - $ 1,076.0 million). In addition, the Province guaranteed the interest thereon. See Schedule 7 - Guaranteed Debt.

(b) Legal Actions

(i) There have been a number of statements of claim alleging negligence on the part of Government employees and agencies in not preventing abuse while these claimants were under Government care.

(ii) A number of claims have been filed against the Province for alleged breaches of contracts and/or tenders as well as for general damages and personal claims pursuant to action initiated by the Province.

(c) Other

(i) *Trust Accounts*

a) Office of the Public Trustee

The Province guarantees all sums required to discharge the balances of the Public Trustee as administrator, guardian, trustee, etc. *(Public Trustee Act)*.
See Schedule 8 - Trust Accounts.

b) Registrar of the Supreme Court

The Province guarantees all sums required to discharge the balances of the Registrar of the Supreme Court as administrator, guardian, trustee, etc. (*Judicature Act*). See Schedule 8 - Trust Accounts.

c) Other Trust Accounts

Generally, the Province is contingently liable for any shortage that may occur for certain funds held in trust by the Province. Currently, all obligations held have an offsetting asset. See Schedule 8 - Trust Accounts.

(ii) *Pensions*

a) Province of Newfoundland and Labrador Pooled Pension Fund

Pursuant to Section 9 of the *Pensions Funding Act*, the Consolidated Revenue Fund is liable for any deficiency in the Province of Newfoundland and Labrador Pooled Pension Fund covered by that Act. See note 7.

b) Memorial University of Newfoundland Pension Fund

Pursuant to Section 6 of the *Memorial University Pensions Act*, if there is insufficient money in the Memorial University of Newfoundland Pension Fund to provide for the payment of applicable expenditures as they fall due, the Consolidated Revenue Fund is liable for payment of an amount to cover the deficiency. As at 31 March 2014, the Memorial University of Newfoundland Pension Plan had a net unfunded pension liability for funding purposes of $295.8 million (31 March 2013 - $347.0 million). However, there currently exists sufficient money in the Fund for the payment of expenditures as they fall due. See note 7.

(iii) *Canadian Saltfish Corporation*

On 17 July 1970, the Province entered into an agreement with the Government of Canada for the marketing of saltfish products by the Canadian Saltfish Corporation (the Corporation), pursuant to the *Saltfish Act*. The Agreement provided that the Province is required to pay to the Government of Canada a proportional share of 50 per cent of the losses of the Corporation. This share is based on the total value of annual sales of cured fish products applicable to each participating province.

On 19 February 1993, the Government of Canada requested that the Province compensate it for losses incurred to 31 March 1992. The amount which the Government of Canada calculated as the Province's share of the losses was $21.6 million.

The Corporation was dissolved with effect from 1 April 1995, so that resolution of the matter will be between the Government of Canada and the Province. However, the Province takes the position that for a number of reasons, including the fact that the Corporation engaged in activities beyond its mandate as determined by the Auditor General of Canada and confirmed by the Department of Justice of Canada, it is not liable for the amount claimed.

(iv) *Newfoundland and Labrador Student Loans Program*

Under the loan guarantee component of this Program, the Province has no guarantees issued at 31 March 2014. Under the debt reduction component of the Program, the Province is contingently liable for possible grants totalling $10.0 million, of which $8.1 million has been recorded as a provision for likely amounts payable related to student loans due to the debt reduction component. See Schedule 5 - Payables, Accrued and Other Liabilities.

(v) *Environmental Responsibility*

As a result of delivering its stated programs and initiatives, there are a number of sites throughout the Province which are considered potentially contaminated sites. A liability will be accrued in the financial statements when it has been determined that the Province is liable for a site which has become contaminated and where a reasonable estimate of the remediation costs can be made. To date, $20.2 million has been recorded (see Schedule 5 - Payables, Accrued and Other Liabilities). Where it is uncertain as to whether an obligation exists for the Province to remediate a contaminated site, then information on any such sites will be disclosed as contingent liabilities.

As at 31 March 2014, while the Province is aware of a number of contaminated sites, the full extent of the remediation costs for these known sites is not readily determinable other than those indicated below. It is the responsibility of the departments and entities to identify any other potentially contaminated sites which are owned by the Province and to collect the information necessary to assess the extent or likelihood of any environmental damage. As contaminated sites are identified, additional environmental liabilities may be recognized or contingent liabilities disclosed due to newly identified sites and/or changes in the assessments of currently known sites.

Former Abitibi-Consolidated Sites

In December 2008, the Province passed legislation entitled *Abitibi-Consolidated Rights and Assets Act*, to expropriate certain rights and assets from Abitibi-Consolidated. Abitibi filed for creditor protection, and was granted a stay of creditor proceedings under the *Companies' Creditor Arrangements Act* ("CCAA") in April 2009. The Province petitioned the CCAA court for a declaration that Abitibi is responsible for full compliance with the *Provincial Environmental Protection Act*, which included clean-up of its former sites. The CCAA court ruled that any claims that the Province may have regarding clean-up of the former sites can be compromised and extinguished by the CCAA process, the practical effect of which is that the Province could bear the burden of clean-up of these sites.

In November 2011, the Province brought the matter to the Supreme Court of Canada. The Supreme Court of Canada released its decision on 7 December 2012. As a result of the ruling, the Province is responsible for the remediation costs of sites formerly occupied by Abitibi and owned by the Province. For legal purposes, initial environmental site assessments estimated the extent of the contamination for potential remediation of approximately $265 million. However, further environmental site assessments would be necessary to assess the human health and ecological risks and to determine the methods and related costs required to remediate the contamination. The completion of any such assessments would inform the Province as to the extent of the necessary remediation efforts and costs which would result in the giving up of future economic benefits and the recognition of a liability for the Province.

Former Mining Sites

The Province owns two former mining sites which have estimated costs for remediation that are potentially significant; the former Baie Verte Asbestos Mine (order of magnitude costs of $40.0 million) and the former Consolidated Rambler Mines Copper Mine (order of magnitude costs of $95.0 million). The Province has completed rehabilitation at these sites designed to address human health and safety issues. No remediation expenditures are planned for the next five years. In addition to these two sites, the Province is seeking to complete an inventory and risk based priority list of orphaned and abandoned mines.

Newfoundland and Labrador Housing Corporation Sites

Possible environmental liabilities exist for the Newfoundland and Labrador Housing Corporation in relation to the following: potential large quantities of fuel left in abandoned fuel storage facilities in the Stephenville area; environmental contaminants including hydrocarbons and various heavy metals in soil and groundwater on 20 hectares in the Paradise area; underground fuel tanks in various property locations in St. John's; and, a possible environmental liability relating to electrical transformers containing polychlorinated biphenyls (PCBs) located around various St. John's properties. The expenditures to date for environmental remediation of these sites is $3.6 million with future site restoration costs estimated at $54.6 million.

(vi) *Equity Support Agreements – Lower Churchill Project*

The Province has provided a guarantee to the Government of Canada to compensate it for any costs under the Federal Loan Guarantee on the Lower Churchill Project which are triggered by legislative or regulatory actions of the Province. The Province has a separate agreement for each component of the project to guarantee the payment of Nalcor's equity commitments in the event that Nalcor fails to fulfill its commitments.

(vii) *Miscellaneous Contingent Liabilities*

The Province has a contingent liability regarding potential repayment of insurance proceeds in the amount of $8.3M. The matter is currently being reviewed by legal counsel.

10. Contractual Obligations

Contractual obligations consist of:

	31 March 2014	31 March 2013
	($mil)	($mil)
Capital projects	2,687.3	1,336.5
Lower Churchill Project	330.0	-
Lease payments	243.6	246.0
Oil and Gas	223.0	145.0
Economic development	178.8	121.0
Provincial policing agreement	143.0	137.7
Power purchase agreements	123.2	124.2
Transmission service agreements	99.5	23.6
Information technology services	76.9	34.4
Road maintenance	60.0	19.3
Residential services	32.4	-
Building maintenance	21.3	29.5
Ferry services	18.9	48.9
Letters of credit	7.7	26.0
Telephone services	4.3	12.5
Other agreements	10.7	35.9
Total: Contractual Obligations	4,260.6	2,340.5

Contractual obligations are those to outside organizations in respect of contracts entered into before 31 March 2014. These contractual obligations will become liabilities when the terms of the contracts are met. Payments in respect of these contracts and agreements for the Consolidated Revenue Fund are subject to voting of supply by the Legislature.

The above table includes contractual obligations of $2.9 billion (31 March 2013 - $1.1 billion) for government business enterprises and $22.0 million (31 March 2013 – nil) for government business partnership.

11. Externally Restricted Assets

Externally restricted assets amount to $121.4 million (31 March 2013 - $104.7 million) of which $117.9 million relates to Memorial University of Newfoundland which consists primarily of assets held for endowment purposes whereby the principal is not expendable. Income earned on these assets is required to be used for the purpose specified by the donors and hence cannot be used for other operating purposes. The externally restricted assets consist of donations and investments which are to be used for scholarships, assistance, professional recruitment and development, equipment and other external endowments. Externally restricted assets of other entities amount to $3.5 million which relate to various donations designated for specified purposes.

12. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt (see note 9(a)) is nil (31 March 2013 - nil).

13. Adjustments to Beginning Balances

(a) First Time Adoption of Public Sector Accounting Standards

As a result of government organizations having to follow Public Sector Accounting Standards, the Net Debt and Accumulated Deficit have been restated. For the 31 March 2014 fiscal year, an increase in Net Debt and Accumulated Deficit of $75.7 million (31 March 2013 - $17.0 million decrease) relates to Government entities' conversion to Public Sector Accounting Standards. These changes have been applied retroactively without restatement.

(b) Change in Government Reporting Entity

Net Debt and Accumulated Deficit have been restated by a $15.7 million increase (31 March 2013 - $nil) relating to changes to entities included in the Government reporting entity. These changes have been applied retroactively without restatement.

(c) Government Organization Changes

Net Debt and Accumulated Deficit increased by $24.9 million (31 March 2013 - $0.4 million decrease) relating to the following government organization changes:

(i) Entity accounting policies and entity restatements resulted in an increase in accumulated deficit of $3.7 million (31 March 2013 - $7.5 million increase);

(ii) Other comprehensive loss relating to government business enterprises and partnership resulted in an increase in accumulated deficit of $32.8 million (31 March 2013 - $2.8 million increase). This adjustment arises from changes in fair value of financial instruments, derivative instruments and hedging activities;

(iii) Prior period adjustments relating to deferred revenue resulted in a decrease in accumulated deficit by $11.6 million (31 March 2013 - $10.7 million decrease).

These changes have been applied retroactively without restatement.

14. Change in Government Structure

Under sections 5 and 17 of the *Executive Council Act*, government departments were reorganized effective 9 October 2013. Pursuant to Cabinet direction, the new financial structure for the departments commenced for the 2013-14 fiscal year. The comparative figures have been restated to reflect this new departmental structure.

15. Measurement Uncertainty

Measurement uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Estimates are based on the best information available at the time of preparation of the financial statements and are adjusted annually to reflect new information as it becomes available.

Some examples of where measurement uncertainty exists are as follows:

(i) The nature of uncertainty for the accrual of retirement benefits, the allowance for guaranteed debt, and the accrual of self-insured workers' compensation benefits arises as actual results may differ significantly from the Province's assumptions about plan members and economic conditions in the marketplace.

(ii) The accruals for environmental remediation obligations are uncertain because the actual extent of the remediation activities, methods, and site contamination may differ significantly from the Province's original remediation plans.

(iii) Revenues from sales taxes, income taxes, oil royalties, Canada Health Transfer, and Canada Social Transfer are uncertain due to differences between the estimated and actual economic performance and other assumptions used to accrue these revenues. The tax revenues under the federal-provincial fiscal arrangements attributable to the year can change as a result of reassessments in subsequent years. The variability of the final amounts attributable to the year cannot be reasonably determined.

16. Borrowing Contributions (Requirements)

The following summary compares the actual amounts for the year ended 31 March 2014 with amounts included in Statement I (Summary of Cash (Requirement) / Contribution) of the Estimates approved by the Legislature. Please refer to the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for the year ended 31 March 2014 for further information on the calculation of the Total Borrowing Contribution (Requirement) - CRF of $(522.0) million noted below.

Borrowing Contributions (Requirements)	Actual	Estimates	Increase (Decrease)
	($mil)	($mil)	($mil)
CRF	(522.0)	(1,016.9)	(494.9)
Other Entities	23.3	-	(23.3)
Total Borrowing Contributions (Requirements)	(498.7)	(1,016.9)	(518.2)

17. Subsequent Events

(a) Nalcor Energy Commitments

Subsequent to year end, the Province, through Nalcor Energy and its subsidiaries, entered into new commitments related to the Lower Churchill Project in the amount of $976.2 million.

(b) Public Service Pension Plan Reform

Subsequent to year end, the Province and unions representing employees of the Public Service Pension Plan (PSPP) reached an agreement to address the sustainability of the pension plan and other post-employment benefit plans. Terms of the agreement are contingent on changes in the governance of the PSPP through the establishment of a joint trusteeship, meaning that both the Province and unions will be responsible for the future sustainability of the plan and will share equally in surpluses and deficits. The Trustee, who will oversee the administration of the plan, will be an independent body. Legislation that will establish the framework for the joint trusteeship will be introduced in a future sitting of the House of Assembly.

Upon the establishment of the joint trusteeship, the Province will pay a $2.685 billion promissory note amortized over a 30 year period to the trustee to address the unfunded position of the PSPP. The agreement also provides for plan changes to both the pension plan and other post-employment benefit plans, as well as contribution increases to the pension plan to come into effect January 1, 2015. The impact and timing on the accounting treatment for the joint trusteeship will be determined upon the completion of the framework for the joint trusteeship.

18. Original Estimates

Certain amounts in the statements and exhibits of the 2013-14 Budget Speech shown for comparative purposes were prepared on the accrual basis as described under note 1(c)(i).

In addition, amounts for Net Debt (Consolidated Statement of Change in Net Debt) as per these statements and exhibits have also been presented for comparative purposes.

19. Additional Notes

In addition to the aforementioned, there are various other notes disclosed in the schedules which follow.

20. Comparatives

Certain of the 31 March 2013 financial statement figures and related schedules have been restated to be consistent with the 31 March 2014 statement presentation.

Schedule 1

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Receivables
As at 31 March 2014
with comparative figures for 2013

	2014 ($000)	2013 ($000)
Accounts receivable	366,054	307,060
Offshore royalties receivable	359,994	292,166
Due from Government of Canada	139,942	234,453
Taxes receivable	133,721	174,801
Accrued interest receivable	7,468	12,129
	1,007,179	1,020,609
Less: Allowance for doubtful accounts	87,407	83,926
Total: Receivables	919,772	936,683

Schedule 2

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Investments
As at 31 March 2014
with comparative figures for 2013

	2014	2013
	($000)	($000)
Loans and Advances		
Student loans	123,745	139,428
Housing	84,618	84,003
Commercial	49,726	64,267
Municipalities	37,533	51,689
Other	630	-
Total: Loans and Advances	296,252	339,387
Less: Discounts due to concessionary terms on loans - note 2	81,739	80,055
Allowance for doubtful loans and advances	54,971	72,854
Provision for loan repayments through future appropriations (municipalities)	37,533	53,812
	122,009	132,666
Investments		
Equity Investments:		
Administered by Newfoundland & Labrador Film Development Corporation	33,092	28,539
Administered by Memorial University of Newfoundland	31,288	40,791
Administered by Business Investment Corporation	12,676	13,463
Cold Ocean Salmon Inc.	10,000	10,000
Northern Harvest Sea Farms Newfoundland Ltd.	7,314	8,000
Gray Aqua Group Ltd.	4,827	4,827
Country Ribbon Inc.	4,500	4,500
Burton's Cove Logging and Lumber	3,818	3,818
ACF Equity Atlantic Inc.	2,203	2,231
Icewater Seafoods Inc.	2,191	3,500
Icewater Harvesting Inc.	2,000	2,000
Administered by Janeway Children's Hospital Foundation	1,955	2,075
Newfoundland Aqua Services Ltd. - redeemable	1,024	-
Administered by Multi-Materials Stewardship Board	631	711
Blue Line Innovations Inc.	500	500
Consilient Technologies Corporation	500	500
Marine Industrial Lighting Systems	500	500
Newfound Genomics Inc.	500	500
Sexton Lumber Co. Ltd.	500	500
Newlab Clinical Research Inc.	484	484
Dynamic Air Shelters Ltd.	428	428
Orphan Industries Limited	290	582
SAC Mfg. Inc.	-	500
Other	3,798	3,546
	125,019	132,495

SUMMARY FINANCIAL STATEMENTS

LOANS, ADVANCES AND INVESTMENTS (continued)

	2014	2013
	($000)	($000)
Other Investments:		
Administered by Newfoundland and Labrador Immigrant Investor Fund Limited	76,285	93,523
Memorial University of Newfoundland - Fixed Income	64,406	56,113
Administered by Janeway Children's Hospital Foundation	3,537	3,523
Dr. H. Bliss Murphy Cancer Care Foundation - Endowment Funds investments	1,287	1,214
Government of Canada Coupon investments	14	32
	145,529	154,405
Total: Investments	270,548	286,900
Less: Allowance for write-down of investments	55,658	53,567
Discounts due to concessionary terms on investments - note 3	906	1,185
	213,984	232,148
Total: Loans, Advances and Investments	335,993	364,814

NOTES

1. **Interest Rates and Loan Terms**
   Interest rates for all loans range from non-interest bearing to 14.0% and are payable over terms not exceeding 27 years.

2. **Discounts Due to Concessionary Terms on Loans**
   The discounts due to concessionary terms on loans are the portion of the receivable that represents the difference between the face value and the present value of the loan. The loans are reported at their present value due to the concessionary terms in the loan agreement.

3. **Discounts Due to Concessionary Terms on Investments**
   The discounts due to concessionary terms on investments are the portion of the investment that represents the difference between the cost and the present value of the investment. The investments are reported at their present value due to the concessionary terms in the investment agreement.

Schedule 3

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Equity in Government Business Enterprises and Partnership
As at 31 March 2014
with comparative figures for 2013

	Atlantic Lottery Corporation 31 Mar 2014	NL Liquor Corporation 5 Apr 2014	Nalcor Energy 31 Dec 2013	Total 2014	Total 2013
	($000)	($000)	($000)	($000)	($000)
Equity - beginning of year	-	73,988	1,763,600	1,837,588	1,495,220
Adjustment to opening balance	(15,661)	(314)	-	(15,975)	482
Adjusted equity - beginning of period	(15,661)	73,674	1,763,600	1,821,613	1,495,702
Net income for year	127,535	155,396	95,600	378,531	240,686
Other comprehensive income (loss) - see note	242	-	(33,000)	(32,758)	(2,800)
Capital transactions:					
Transfers from government	-	-	531,000	531,000	245,000
Transfers to government	(120,592)	(152,000)	-	(272,592)	(141,000)
Equity - end of year	(8,476)	77,070	2,357,200	2,425,794	1,837,588
Equity represented by:					
Assets					
Cash and temporary investments	5,852	29,840	621,200	656,892	51,014
Receivables	5,268	11,266	189,300	205,834	336,550
Oil and gas properties	-	-	518,200	518,200	344,600
Inventories	1,790	36,100	75,200	113,090	98,440
Prepaid and deferred charges	2,450	2,759	71,900	77,109	75,957
Investments	2,413	-	4,477,400	4,479,813	-
Reserve fund	-	-	50,500	50,500	50,900
Capital and intangible assets	44,962	33,747	3,218,000	3,296,709	2,465,561
Total Assets	62,735	113,712	9,221,700	9,398,147	3,423,022
Liabilities					
Accounts payable and accruals	25,918	36,642	919,200	981,760	593,934
Deferred government assistance	-	-	4,500	4,500	35,200
Borrowings	45,293	-	5,940,800	5,986,093	956,300
Total Liabilities	71,211	36,642	6,864,500	6,972,353	1,585,434
Equity	(8,476)	77,070	2,357,200	2,425,794	1,837,588

NOTE

Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises revenues, expenses, gains and losses that are recognized in comprehensive income (loss), but excluded from net income. Comprehensive income (loss) is the change in equity (net assets) of an enterprise during a period of transactions and other events and circumstances from non-owner sources.

Accumulated other comprehensive income (loss) as at 31 March 2014 amounted to $10.8 million (31 March 2013 - $43.6 million). The other comprehensive loss recognized during the year was $32.8 million (31 March 2013 - $2.8 million).

Schedule 4

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Net Income of Government Business Enterprises and Partnership
For the year ended 31 March 2014
with comparative figures for 2013

	Atlantic Lottery Corporation 31 Mar 2014	NL Liquor Corporation 5 Apr 2014	Nalcor Energy 31 Dec 2013	Total 2014	Total 2013
	($000)	($000)	($000)	($000)	($000)
Revenue					
Revenue from operations	302,631	310,583	784,800	1,398,014	1,026,354
Expense					
Expenses from operations	175,096	155,187	689,200	1,019,483	785,668
Net Income	127,535	155,396	95,600	378,531	240,686

NOTE

Related Party Transactions

Nalcor Energy earned related party revenues regarding funding to support new and offshore petroleum exploration, funding for energy conservation as well as oil and gas royalties for a total amount of $1.5 million (31 December 2012 - $2.3 million). Nalcor Energy incurred related party expenses in relation to power purchase agreements, cost of application hearings, operation of Exploits assets, various rentals and royalties, and a debt guarantee fee. Netted against these expenses is the funding received from the Province related to Nalcor's obligation under the Upper Churchill Redress Agreement resulting in total expenses of $0.5 million (31 December 2012 - recovery of $2.4 million).

In relation to the above listed related party transactions for Nalcor Energy, there exists accounts receivable, accounts payable and deferred credits. Accounts receivable include $35.7 million (31 December 2012 - $39.9 million); accounts payable include $25.4 million (31 December 2012 - $25.0 million); and deferred credits include $4.9 million (31 December 2012 - $6.7 million). In addition, Nalcor Energy invested $88.3 million (31 December 2012 - $88.1 million) in Provincial bonds.

Newfoundland and Labrador Liquor Corporation is leasing office and warehouse space from the Department of Transportation and Works. These leases are rent free to the Corporation; however, all operating, leasehold and maintenance costs related to the buildings are the responsibility of the Corporation.

Atlantic Lottery Corporation Inc.'s related party profit earnings totaled $122.7 million (31 March 2013 - $114.1 million). In relation to profit earnings, there exists an accounts payable of $2.2 million (31 March 2013 - $2.1 million).

Schedule 5

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Payables, Accrued and Other Liabilities
As at 31 March 2014
with comparative figures for 2013

	2014 ($000)	2013 ($000)
Accrued salaries and employee benefits - note 1	1,073,758	997,017
Accounts payable	738,230	574,169
Due to Government of Canada	558,062	571,153
Accrued interest payable	146,074	148,008
Due to municipalities	48,152	53,267
Capital leases - note 2	26,535	28,418
Environmental liabilities	20,162	28,340
Provision for student loan debt reduction payable	8,072	6,786
Other	2,769	4,795
Total: Payables, Accrued and Other Liabilities	2,621,814	2,411,953

NOTES

1. Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consists of $453.3 million for severance (31 March 2013 - $471.9 million), $485.3 million for leave and other employee benefits (31 March 2013 - $386.1 million), $93.9 million for salaries (31 March 2013 - $106.8 million) and $41.2 million related to the self-insured workers' compensation benefits liability (31 March 2013 - $32.2 million). During the 2013-14 fiscal year, an actuarial valuation as of 31 December 2013, with disclosures as at 31 March 2014, was obtained for the Province's self-insured workers' compensation benefits.

2. Capital Leases

Interest rates for all capital leases range from non-interest bearing to 16.0% and have repayment schedules ranging in duration from less than a year to 10 years.

Schedule 6

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Borrowings
As at 31 March 2014
with comparative figures for 2013

	2014				2013
	Total Borrowings	Sinking Fund Balance	Net Borrowings	Interest Rate Range	Net Borrowings
	($000)	($000)	($000)	(%)	($000)
Consolidated Revenue Fund					
Treasury bill borrowings	492,804	-	492,804	0.95 - 1.01	492,788
General debentures	4,958,593	1,085,036	3,873,557	4.50 - 10.95	3,928,289
Sun Life Assurance Company of Canada	85,772	-	85,772	7.55 - 9.20	89,906
Government of Canada	306,465	-	306,465	4.91 - 7.88	306,497
	5,843,634	1,085,036	4,758,598		4,817,480
Health care organizations	161,331	14,969	146,362	1.53 - 10.50	152,581
Newfoundland and Labrador Housing Corporation	109,830	-	109,830	1.67 - 19.75	115,806
Newfoundland and Labrador Municipal Financing Corporation	25,630	-	25,630	4.95 - 6.85	35,446
Memorial University of Newfoundland	13,362	-	13,362	5.88	15,091
School Districts	12,329	-	12,329	prime-1 - 5.05	11,900
Total: Borrowings	6,166,116	1,100,005	5,066,111		5,148,304

See accompanying notes.

NOTES TO THE SCHEDULE OF BORROWINGS
As at 31 March 2014

1. Borrowings

Borrowings and unamortized foreign exchange losses, by major currency, and sinking funds as at 31 March 2014 are as follows:

Major Currencies	Foreign Borrowings	Exchange Rate	Canadian	Unamortized Foreign Exchange Gains/(Losses)	Net
	($000)		($000)	($000)	($000)
U.S.	1,050,000	1.1055	1,160,775	69,774	1,230,549
Canadian			5,005,341	-	5,005,341
		Sub-total	6,166,116	69,774	6,235,890
	Foreign sinking funds		(402,008)	(16,663)	(418,671)
	Canadian sinking funds		(697,997)	-	(697,997)
		Total	5,066,111	53,111	5,119,222

2. Contributions and Repayment Requirements

Sinking fund contributions and long term debt repayments which are not expected to be fully funded by a sinking fund, by major currency, in Canadian dollars are as follows:

	U.S.	Canadian	Total
	($000)	($000)	($000)
2014-2015	8,055	384,230	392,285
2015-2016	8,055	331,127	339,182
2016-2017	5,556	59,773	65,329
2017-2018	5,000	56,284	61,284
2018-2019	5,000	52,219	57,219
2019-2043	486,557	1,780,349	2,266,906
	518,223	2,663,982	3,182,205

3. Interest Expense

The gross interest expense associated with borrowings, recognized for 31 March 2014, amounted to $372.6 million (31 March 2013 - $370.1 million).

4. Foreign Exchange Gain

The foreign exchange gain which has been recognized on the Consolidated Statement of Operations is $15.6 million (31 March 2013 - $17.8 million).

NOTES TO THE SCHEDULE OF BORROWINGS (continued)

5. Sensitivity Analysis

An increase/decrease of one cent in the foreign exchange rates at 31 March 2014 would result in an increase/decrease in foreign borrowings of $10.5 million (31 March 2013 - $10.5 million).

6. Related Sinking Fund Investments

At year end, the Province held $555.1 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2013 - $579.1 million) which are reflected in the sinking fund balances disclosed in note 1 above. These were comprised of $408.1 million in Canadian investments and $147.0 million in US investments.

7. Debt Related Risk

The practice of borrowing in both domestic and foreign currencies may potentially give rise to a number of risks including interest rate, credit, foreign exchange and liquidity risk. Interest rate risk is the risk that debt servicing costs will increase due to changes in interest rates while credit risk is the risk that a loss may occur from the failure of another party to meet its obligations under a derivative financial instrument contract. As well, foreign exchange risk is the risk that debt servicing costs will increase due to a decline in the value of the Canadian dollar relative to other currencies while liquidity risk is the risk that financial commitments will not be met over the short-term.

The Province attempts to manage its exposure to these risks and minimize volatility in its debt expenses by following a conservative debt and risk management strategy. The Province's debt portfolio is structured such that virtually all of its debt is long-term with fixed interest rates and fixed repayment terms. When appropriate and the option is available, debt with high interest rates has been called and refinanced with new lower interest rate debt. Otherwise, debt is generally held until maturity. Hence, the Province's exposure to interest rate and credit risk is minimal as a result of its conservative debt management strategy.

While the majority of the Province's debt is domestic in nature, there are a number of US dollar denominated debt issues. All of these are long-term issues and the Province has established sinking funds, also in US dollars, to provide repayment of the debt at maturity. For debt servicing purposes, short-term forward contracts are occasionally entered into when favorable exchange rates are available to minimize exposure to foreign exchange risk.

The Province's exposure to liquidity risk is managed by distributing debt maturities over several years, maintaining sinking funds for the repayment of certain long-term debt issues and holding adequate cash reserves or short-term borrowings as contingent sources of liquidity.

Atlantic Lottery Corporation Inc. and Nalcor Energy operate in environments with various forms of financial risk including changes in interest rates, and fluctuation in foreign currency exchange rates and commodity prices. A combination of financial instruments and portfolio management tools and techniques are utilized to manage these risks. Net borrowings of Atlantic Lottery Corporation Inc. and Nalcor Energy are reflected in the Equity in government business enterprises and partnership on the Consolidated Statement of Financial Position.

Schedule 7

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Guaranteed Debt
As at 31 March 2014
with comparative figures for 2013

	2014 ($000)	2013 ($000)
Guaranteed Debentures		
Newfoundland and Labrador Hydro	986,914	969,158
Newfoundland and Labrador Housing Corporation	73,625	81,975
Municipalities	525	464
	1,061,064	1,051,597
Guaranteed Bank Loans		
Fisheries	35,988	22,540
Other corporations	1,743	1,824
	37,731	24,364
Total: Guaranteed Debt	1,098,795	1,075,961

NOTES

1. Limit of Loan Guarantees

The limit of loan guarantees for Guaranteed Debentures is $1,061.1 million and $63.9 million for Guaranteed Bank Loans.

2. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt is nil (31 March 2013 - nil).

Schedule 8

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Trust Accounts
As at 31 March 2014
with comparative figures for 2013

	2014 ($000)	2013 ($000)
Office of the Public Trustee	37,893	32,905
Teachers' Accrued Salary Trust Account	8,585	8,794
Rate Stabilization Fund	7,939	5,449
Registrar of the Supreme Court	6,580	7,182
Patients' Funds Held in Trust	6,109	5,873
Consolidated Tender Account	5,944	5,346
Scholarships and Awards	5,000	4,955
Replacement Reserve Funds	3,857	3,869
Federal/Provincial Contractors' Security Account	2,834	4,317
Support Enforcement	1,332	1,286
Provincial Courts Trust Account	432	454
Contractors' Security Account - Transportation and Works	1	447
Other Trust Accounts	2,236	2,027
Total: Trust Accounts	88,742	82,904

NOTE

Workplace, Health, Safety and Compensation Commission

The Workplace, Health, Safety and Compensation Commission (the Commission) is considered to be a form of trust. For the most recent fiscal year ended 31 December 2013, the Commission reported a net fund surplus of $67.1 million (31 December 2012 - net fund deficiency of $81.8 million) and an accumulated operating surplus of $67.1 million (31 December 2012 - deficit $82.3 million). Under legislation, no liability on behalf of the Province has been established.

Schedule 9

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Tangible Capital Assets
As at 31 March 2014
with comparative figures for 2013

	Original Cost				Accumulated Amortization				
Category	Balance 31 March 2013 ($mil)	Additions 2014 ($mil)	Disposals 2014 ($mil)	Balance 31 March 2014 ($mil)	Balance 31 March 2013 ($mil)	Amort. Net of Disposals 2014 ($mil)	Balance 31 March 2014 ($mil)	Net Book Value 31 March 2014 ($mil)	Net Book Value 31 March 2013 ($mil)
Buildings	3,038.9	194.6	19.8	3,213.7	1,537.6	79.2	1,616.8	1,596.9	1,501.3
Marine vessels & aircraft	244.3	-	37.1	207.2	73.4	0.7	74.1	133.1	170.9
Equipment & machinery	1,448.9	104.1	14.2	1,538.8	1,070.0	89.7	1,159.7	379.1	378.9
Infrastructure	4,670.5	100.2	6.1	4,764.6	3,628.9	60.7	3,689.6	1,075.0	1,041.6
Computer software	110.5	12.0	0.2	122.3	72.0	11.2	83.2	39.1	38.5
Sub-total	9,513.1	410.9	77.4	9,846.6	6,381.9	241.5	6,623.4	3,223.2	3,131.2
Work in progress				832.4				832.4	693.1
Total				10,679.0				4,055.6	3,824.3

NOTES

1. Tangible Capital Assets

Tangible capital assets are capitalized on the Consolidated Statement of Financial Position with the cost of the assets amortized over the estimated useful life of the assets.

2. Work In Progress

Work in progress is considered to be a tangible capital asset, however it is not amortized as it is not yet available for use. The Province currently has a number of projects under construction or development with a total for 31 March 2014 of $832.4 million (31 March 2013 - $693.1 million) having been spent on these projects to date. Upon completion, these assets are recorded in the appropriate category in the schedule. The additions of $410.9 million include $124.6 million of work in progress assets that have been capitalized in the year. Net additions to work in progress assets include additions of $275.9 million less disposals of $12.0 million for 2013-14.

TANGIBLE CAPITAL ASSETS (continued)

3. Accumulated Amortization

The $241.5 million change in accumulated amortization from the prior year, as reported in the Tangible Capital Asset schedule, consists of amortization expense of $253.9 million less accumulated amortization on assets disposed of in the year in the amount of $22.7 million. The remaining increase in accumulated amortization of $10.3 million is the result of changes in estimates by certain entities.

The $192.9 million change in accumulated amortization as at 31 March 2013 consisted of amortization expense of $209.0 million less accumulated amortization on assets disposed of in the year in the amount of $71.8 million. The remaining increase of $55.7 million is the result of adjustments by certain entities.

4. Estimated Useful Life

The historic cost of the assets is estimated in many cases, and amortization is calculated on a straight line basis over the following useful lives:

Asset	Estimated Useful Life
Buildings	40 years
Marine vessels & aircraft	
Marine vessels	20 years
Aircraft	20 years
Equipment & machinery	
Heavy machinery and equipment	20 years
Snow removal equipment	10 years
Office/other machinery and equipment	10 years
Vehicles	5 years
Computer hardware	4 years
Infrastructure	
Roads	20 years
Airstrips	20 years
Marine facility infrastructure	20 years
Other infrastructure	20 years
Land	indefinite
Bridges	40 years
Computer software	7 years

The above useful lives reflect the policies of the Consolidated Revenue Fund. Amortization reported by other organizations included in the Government reporting entity is recorded in these statements as per the amortization policies of these other organizations. These policies may differ from those identified above.

5. Historical or Cultural Assets

In accordance with current accounting standards, certain assets which have historical or cultural value belonging to the Province are not included in this schedule. Such assets consist of paintings, sculptures, historical documents, and historical and cultural artifacts.

TANGIBLE CAPITAL ASSETS (continued)

6. Intangible and Inherited Assets

Intangible assets and items inherited by right of the Crown, such as Crown lands, forest, and mineral resources, are not recognized as tangible capital assets in accordance with current accounting standards.

7. Leased Assets

The gross amount of leased tangible capital assets is $53.6 million (31 March 2013 - $41.2 million), amortization expense is $1.5 million (31 March 2013 - $1.6 million) and accumulated depreciation is $38.5 million (31 March 2013 - $24.7 million). These are included in the appropriate category in the schedule.

8. Expropriated Assets

In December 2008, the Province passed legislation entitled Abitibi-Consolidated Rights and Assets Act, to expropriate certain rights and assets from Abitibi-Consolidated. The intent of this Act was to return to the Province rights relating to timber and water use, as well as assets and land associated with the generation of electricity enabled by water use rights. As a result of the expropriation, the Province also assumed responsibility of other assets associated with the pulp and paper mill. While the Province has licensed Nalcor Energy to manage and operate the hydro electricity generating assets on behalf of the Province, no decision has been made on whether the assets will continue to be held by the Province, or transferred to Nalcor Energy or other parties. Nalcor Energy is operating these electricity generating assets on a cost recovery basis and with revised power purchase rates now applying to these facilities. As the value of the electricity generating assets expropriated, and their ultimate use, have not been determined, any payments related to subsection 10.(2) of the Act have been recorded as tangible capital assets. $137.3 million, (net) has been recorded as the cost of the electricity generating assets for the fiscal year ended 31 March 2014 and are included in the infrastructure category. As the value of the non-electricity generating assets expropriated, and their ultimate future use have not been determined, they have been recorded as tangible capital assets at a nominal amount.

Schedule 10

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue by Source
For the year ended 31 March 2014
with comparative figures for 2013

	Actuals 2014 ($000)	Actuals 2013 ($000)
Provincial Sources		
Taxation		
Personal income tax	1,221,741	1,158,522
Sales tax	907,008	941,014
Corporate income tax	357,792	766,576
Gasoline tax	185,666	170,684
Mining and mineral rights tax	160,438	135,986
Other	372,320	348,070
	3,204,965	3,520,852
Investment		
Sinking fund earnings	55,635	54,825
Interest	32,681	39,885
Other	10,006	89,258
	98,322	183,968
Fees and Fines		
Fees	270,749	265,818
Fines	8,703	11,210
	279,452	277,028
Offshore royalties	2,125,837	1,828,234
Miscellaneous		
Sales and rentals	65,923	60,892
Cost recoveries	45,494	48,283
Miscellaneous	268,650	353,438
	380,067	462,613
Total Provincial Sources	6,088,643	6,272,695
Federal Sources		
Health and social transfers	713,278	612,965
Cost-shared programs	263,938	347,928
Other	43,082	31,219
Total Federal Sources	1,020,298	992,112
Net income of government business enterprises and partnership - see note	378,531	240,686
Total: Revenue by Source	7,487,472	7,505,493

NOTE

See Schedule 4 for a breakdown by entity.

Schedule 11

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Department
For the year ended 31 March 2014
with comparative figures for 2013

	Actuals 2014 ($000)	Actuals 2013 ($000)
General Government Sector and Legislative Branch		
General Government Sector		
Consolidated Fund Services	347,553	341,990
Executive Council	102,391	101,635
Finance	1,098,419	914,035
Public Service Commission	2,404	2,482
Service NL	40,151	44,515
Transportation and Works	436,828	447,660
Legislative Branch		
Legislature	22,785	23,921
	2,050,531	1,876,238
Resource Sector		
Advanced Education and Skills	1,118,762	1,134,700
Environment and Conservation	53,490	68,809
Fisheries and Aquaculture	17,488	36,052
Innovation, Business and Rural Development	50,469	52,532
Natural Resources	132,123	149,649
Tourism, Culture and Recreation	61,377	67,144
	1,433,709	1,508,886
Social Sector		
Child, Youth and Family Services	168,932	175,965
Education	798,435	757,897
Health and Community Services	2,869,200	2,844,262
Justice	232,635	245,672
Municipal and Intergovernmental Affairs	202,091	162,843
Newfoundland and Labrador Housing Corporation	120,506	128,755
	4,391,799	4,315,394
Total: Expenses by Department	7,876,039	7,700,518

NOTE

Expenses by Department include expenses by organizations in the Government reporting entity which report to that department.

Schedule 12

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Object
For the year ended 31 March 2014
with comparative figures for 2013

	Actuals 2014 ($000)	Actuals 2013 ($000)
Salaries and employee benefits	3,709,732	3,661,625
Operating costs	1,234,123	1,205,271
Grants and subsidies	1,209,207	1,231,470
Debt expenses	851,017	779,781
Professional services	482,627	507,219
Amortization and (gain)/loss on the sale of tangible capital assets	262,453	213,600
Property, furnishings and equipment - see note	122,812	89,664
Valuation allowances	4,068	11,888
Total: Expenses by Object	7,876,039	7,700,518

NOTE

This amount includes expenses for property, furnishings and equipment that do not meet the established definition or thresholds for tangible capital assets.

Schedule 13

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue and Expense by Sector
For the year ended 31 March 2014

	General Government Sector and Legislative Branch	Resource Sector	Social Sector	Total
	($000)	($000)	($000)	($000)
REVENUE				
Provincial				
Taxation	3,245,557	(163)	-	3,245,394
Investment	80,008	13,126	5,188	98,322
Fees and Fines	137,643	127,879	13,930	279,452
Offshore Royalties	465	2,125,372	-	2,125,837
Other	11,819	183,803	207,866	403,488
Government of Canada	706,313	191,354	122,631	1,020,298
	4,181,805	2,641,371	349,615	7,172,791
Net income of government business enterprises and partnership	282,931	95,600	-	378,531
Total Sector Revenue - note 2	4,464,736	2,736,971	349,615	7,551,322
EXPENSE				
Salaries and employee benefits	765,631	684,754	2,300,904	3,751,289
Operating costs	283,491	287,605	668,422	1,239,518
Grants and subsidies	100,713	351,482	773,848	1,226,043
Debt expenses	787,309	38,747	24,961	851,017
Professional services	16,104	21,598	444,987	482,689
Amortization and loss on sale of tangible capital assets	92,467	51,931	118,055	262,453
Property, furnishings, and equipment	4,641	8,502	109,669	122,812
Valuation allowances	175	2,893	1,000	4,068
Total Sector Expense - note 3	2,050,531	1,447,512	4,441,846	7,939,889
Sector Results - before adjustments	2,414,205	1,289,459	(4,092,231)	(388,567)
Inter-Sector Eliminations	(40,429)	(1,630)	42,059	-
Annual Surplus (Deficit)	2,373,776	1,287,829	(4,050,172)	(388,567)

See accompanying notes.

NOTES TO THE SCHEDULE OF REVENUE AND EXPENSE BY SECTOR
For the year ended 31 March 2014

1. **Sectors**

The sectors identified above are consistent with the presentation of the Consolidated Statement of Operations and the 2013-14 Estimates. Each sector includes the revenue and expenses of the applicable departments and the organizations in the Government reporting entity which report to their respective department. Certain amounts have been allocated on a systematic basis. Refer to Schedule 11 - Expenses by Department for a list of departments included within each sector.

2. **Sector Revenue**

Sector revenues include revenues generated from within the Government reporting entity. These inter-sector transactions are eliminated upon consolidation. Total eliminations pertaining to revenues amount to $63.8 million resulting in total revenue of $7,487.5 million as per the Consolidated Statement of Operations.

3. **Sector Expense**

Sector expenses include expenses incurred from within the Government reporting entity. These inter-sector transactions are eliminated upon consolidation. Total eliminations pertaining to expenses amount to $63.8 million resulting in total expense of $7,876.0 million as per the Consolidated Statement of Operations.

Schedule 14

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Government Reporting Entity
For the year ended 31 March 2014

GOVERNMENT ORGANIZATIONS

	Board of Commissioners of Public Utilities
	Business Investment Corporation
	C.A. Pippy Park Commission
	Central Regional Health Authority
D	Chicken Farmers of Newfoundland and Labrador
D - note 1	Churchill Falls (Labrador) Corporation Trust
	College of the North Atlantic
J	Conseil scolaire francophone provincial de Terre-Neuve et Labrador
	Consolidated Revenue Fund
D	Credit Union Deposit Guarantee Corporation
JU	Dairy Farmers of Newfoundland and Labrador
note 2, 4	Eastern Regional Health Authority
J - note 3	Eastern School District
D	Egg Farmers of Newfoundland and Labrador
	Heritage Foundation of Newfoundland and Labrador
	Labrador-Grenfell Regional Health Authority
J	Labrador School Board
	Livestock Owners Compensation Board
A	Marble Mountain Development Corporation
	Memorial University of Newfoundland
	Multi-Materials Stewardship Board
	Municipal Assessment Agency Inc.
	Newfoundland and Labrador Arts Council
	Newfoundland and Labrador Centre for Health Information
	Newfoundland and Labrador Crop Insurance Agency
	Newfoundland and Labrador Farm Products Corporation
	Newfoundland and Labrador Film Development Corporation
	Newfoundland and Labrador Housing Corporation
	Newfoundland and Labrador Immigrant Investor Fund Limited
	Newfoundland and Labrador Industrial Development Corporation
	Newfoundland and Labrador Legal Aid Commission
	Newfoundland and Labrador Municipal Financing Corporation
	Newfoundland and Labrador Sports Centre Inc.
	Newfoundland Hardwoods Limited
	Newfoundland Ocean Enterprises Limited
J	Nova Central School District
	Provincial Advisory Council on the Status of Women - Newfoundland and Labrador
	Provincial Information and Library Resources Board
	Research and Development Corporation of Newfoundland and Labrador

SUMMARY FINANCIAL STATEMENTS

GOVERNMENT REPORTING ENTITY (continued)

GOVERNMENT ORGANIZATIONS

	Student Loan Corporation of Newfoundland and Labrador
	The Rooms Corporation of Newfoundland and Labrador
	Western Regional Health Authority
J	Western School District

GOVERNMENT BUSINESS ENTERPRISES

D	Nalcor Energy
F	Newfoundland and Labrador Liquor Corporation

GOVERNMENT BUSINESS PARTNERSHIP

N	Atlantic Lottery Corporation Inc. (25% ownership)

LEGEND

A	This entity has a year end of 30 April.
D	These entities have a year end of 31 December.
J	These entities have a year end of 30 June.
JU	This entity has a year end of 31 July.
F	This entity has a floating year end to align with its four 13 week reporting periods. The fiscal year end of the entity will end on the first Saturday of April each year.
N	This entity is new to the reporting entity for 31 March 2014.

NOTES

1	Churchill Falls (Labrador) Corporation Trust is included in the Government reporting entity for consolidation since, in substance, it is closely held and controlled by the Province and is administered by senior Government officials.
2	Eastern Regional Health Authority controls a number of foundations/associations which have not been consolidated within their financial statements. In accordance with Public Sector Accounting Standards, these organizations have been included within the Province's 2013-14 Consolidated Summary Financial Statements. These entities are as follows: 1) Health Care Foundation of St. John's Inc; 2) Janeway Children's Hospital Foundation; 3) Dr. H. Bliss Murphy Cancer Care Foundation; 4) Discovery Health Care Foundation Inc.; 5) Trinity-Conception-Placentia Health Foundation Inc.; 6) The Burin Peninsula Health Care Foundation Inc.
3	Eastern School District controls a number of foundations/associations which have not been consolidated within their financial statements. In accordance with Public Sector Accounting Standards, these associations have been included within the Province's 2013-14 Consolidated Summary Financial Statements. These entities are as follows: 1) Eastern Education Foundation Inc.; and 2) Newfoundland International Student Education Program Inc.
4	Effective 1 April 2013, the operations of the Public Health Laboratory (PHL) were transferred to Eastern Regional Health Authority. From 1 April 2013 and onwards, the assets, liabilities, revenues and expenses associated with the operations and activities of PHL have been recorded by the Eastern Regional Health Authority.

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